

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA**

In re

GUARDIAN ELDER CARE AT
JOHNSTOWN, LLC, d/b/a/ RICHLAND
HEALTHCARE AND REHABILITATION
CENTER, *et al.*,

Debtors.¹

GUARDIAN ELDER CARE AT
JOHNSTOWN, LLC, d/b/a/ RICHLAND
HEALTHCARE AND REHABILITATION
CENTER, *et al.*,

v.

NO RESPONDENT

Chapter 11

Case No. 24-70299 (JAD)

(Jointly Administered)

**DECLARATION OF ALLEN D. WILEN IN
SUPPORT OF FIRST DAY MOTIONS FOR RELIEF**

I, Allen D. Wilen, hereby declare the following, under the penalty of perjury:

1. I am the Chief Restructuring Officer (“**CRO**”) of Guardian Elder Care at Johnstown, LLC d/b/a Richland Healthcare and Rehabilitation Center and certain of its affiliated entities, each a debtor and debtor-in-possession (each, individually, a “**Debtor**” and, collectively, the “**Debtors**”) in the above-captioned chapter 11 cases.

2. I have served as CRO of the Debtors since July 16, 2024 and, prior thereto, provided financial advisory services to the Debtors since June 2023. Through such capacities, I am generally familiar with the Debtors’ day-to-day operations, business and financial affairs, and

¹ The last four digits of Guardian Elder Care at Johnstown, LLC d/b/a Richland Healthcare and Rehabilitation Center’s federal tax identification number are 7907. Due to the large number of debtor entities in these Chapter 11 Cases, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors’ claims and noticing agent at <https://omniagentsolutions.com/Guardian>. The Debtors’ mailing address is: 8796 Route 219, Brockway, Pennsylvania 15824.

books and records. I am above 18 years of age, and I am competent to testify.

3. I am a Partner at Eisner Advisory Group LLC (“**Eisner**”) and serve as the national director of Eisner’s Financial Advisory Services Group. I have more than thirty years of financial and accounting experience, as well as extensive experience advising insolvent and troubled companies, including several companies in the healthcare industry, in turnaround and crisis situations and navigating such companies through turnaround, sale and liquidation processes. I have frequently been involved in complex matters requiring expertise in forensic accounting and operational analysis and have been qualified as an expert in numerous state and federal courts throughout the United States.

4. I submit this declaration to assist this Court and parties in interest in understanding the circumstances leading to the commencement of these chapter 11 cases, the capital structure of the Debtors, the Debtors’ prepetition debt facilities and the Debtors’ prepetition restructuring efforts, and in support of: (a) the Debtors’ petitions for relief under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”) filed on the date hereof (the “**Petition Date**”); and (b) the emergency “first day” relief that the Debtors have requested from the Court pursuant to the motions and applications described herein.

5. This declaration is organized into five sections. Sections 1 and 2 describe the Debtors’ history and operational and capital structure. Sections 3 and 4 detail the circumstances surrounding the commencement of these chapter 11 cases and the Debtors’ objectives with respect to the chapter 11 cases. Section 5 sets forth the evidentiary basis for the relief requested in each of the pleadings filed in connection with these chapter 11 cases.

6. Except as otherwise indicated herein, all facts set forth in this declaration are based on my personal knowledge, my discussions with other members of the Debtors’ management team

and the Debtors' advisors, and my review of the relevant documents and information concerning the Debtors' operations, financial affairs, and refinancing and restructuring initiatives. If called upon to testify, I could and would testify competently to the facts set forth herein.

I. Background – The Debtors' History and Operations

7. The Debtors and their non-debtor affiliates (together, "**Guardian Healthcare**" or the "**Group**") are a private, family-owned organization that has provided inpatient and outpatient services to predominately small and/or rural communities through a network of skilled nursing facilities and personal care homes since 1995. As of the date of this Declaration, Guardian Healthcare maintains nineteen (19) skilled nursing facilities, with one facility in West Virginia and the remaining facilities located in Pennsylvania.

8. Through its facilities, Guardian Healthcare maintains more than 1,700 skilled nursing, personal care, and independent living beds, providing long-term care and rehabilitation services, and employs more than 2,000 employees. Certain of these employees are represented by unions and are members of the International Brotherhood of Teamsters, the United Mine Workers of America, the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial Union United Steelworkers on Behalf of Local 8041-01, the Retail, Wholesale and Department Store Union or the Service Employees International Union (together, the "**Unions**").

9. Guardian Healthcare, through certain debtor and non-debtor entities, also provides ancillary pharmacies and rehabilitation services that primarily serve residents of the skilled nursing facilities, as well as its own staffing agency, which provides nursing assistants, registered nurses, licensed practical nurses, travel nurses and related staffing services throughout Pennsylvania and West Virginia. Specifically, Debtor Guardian Healthcare Pharmacy, LLC operates Guardian's pharmacy business and Guardian Healthcare Rehabilitation Services, LLC operates the

rehabilitation services business. Debtor Guardian Healthcare Home & Community Services, LLC (together with Guardian Healthcare Pharmacy, LLC and Guardian Healthcare Rehabilitation Services, LLC, the “**Ancillary Debtors**”) currently has no business operations.

10. The Ancillary Debtors are each owned 100% by a non-debtor holding company, Guardian Healthcare Ancillary Services Holdco, LLC (“**Ancillary Services Holdco**”).

11. An organizational chart for the Ancillary Debtors is attached hereto as **Exhibit A**.

A. The Skilled Nursing Portfolios

12. Prior to the Petition Date, Guardian Healthcare’s skilled nursing business was operated in three separate portfolios, two of which are presently impacted by these chapter 11 cases. These portfolios are described below.

(i) The Owned Facilities Portfolio

13. The “**Owned Facilities Portfolio**” consists of: (i) eight (8) entities that operate skilled nursing facilities (i.e. the “**Owned OpCos**”), seven of which are located in Pennsylvania and one of which is located in West Virginia, with approximately 494 beds and 461 employees, and (ii) eight (8) entities that own and lease the real property on which each of the respective OpCos operate (i.e. “**Owned PropCos**”).

14. The Owned OpCos consist of the following entities:

Facility/Debtor Entity	Location
Guardian Elder Care at Beaver Falls, LLC d/b/a Beaver Valley Healthcare and Rehabilitation Center (HUD)	Beaver Falls, PA, Beaver County
Guardian Elder Care at Bethel Park, LLC d/b/a Meadowcrest Healthcare and Rehabilitation Center	Bethel Park, PA, Allegheny County
Guardian Elder Care at Greensburg, LLC d/b/a Oak Hill Healthcare and Rehabilitation Center	Greensburg, PA Westmoreland County
Guardian Elder Care at Lower Burrell, LLC d/b/a Belair Healthcare and Rehabilitation Center	Lower Burrell, PA Westmoreland County
Guardian Elder Care at Monongahela, LLC d/b/a	Monongahela, PA

Facility/Debtor Entity	Location
Havencrest Healthcare and Rehabilitation Center (HUD)	Washington County
Guardian Elder Care at Munhall, LLC d/b/a Eldercrest Healthcare and Rehabilitation Center	Munhall, PA, Allegheny County
Guardian Elder Care at Brockway, LLC d/b/a Highland View Healthcare and Rehabilitation Center	Brockway, PA Jefferson County
Guardian Elder Care at Fairmont, LLC d/b/a Fairmont Healthcare and Rehabilitation Center (HUD)	Fairmont, WV Marion County

15. Three of the Owned OpCos – operated by Debtors Guardian Elder Care at Beaver Falls, LLC d/b/a Beaver Valley Healthcare, Rehabilitation Center, Guardian Elder Care at Fairmont, LLC d/b/a Fairmont Healthcare and Rehabilitation Center and Guardian Elder Care at Monongahela, LLC d/b/a Havencrest Healthcare and Rehabilitation Center (together, the “**HUD Owned OpCos**”) – operate facilities on real properties financed via HUD-insured credit facilities, as described in further detail below; the remaining Owned OpCos (together, the “**Non-HUD Owned OpCos**”) do not.

16. With the exception of Debtor Guardian Eldercare at Brockway, LLC (“**Brockway**”), the Owned OpCos are each owned by Debtor Guardian Healthcare FOR Group, LLC, a holding company that otherwise has no business operations. Guardian Healthcare FOR Group, LLC is in turn owned 99% by Debtor Guardian Healthcare FOR LLC 99% Holdco, LLC and 1% by Debtor Guardian Healthcare FOR LLC 1% Holdco, Inc. (together, the “**Guardian FOR OpCo Holdcos**”), which otherwise have no business operations. Guardian Healthcare FOR LLC 99% Holdco, LLC is also the holding company for two entities – Debtor Guardian Healthcare FOR HUD Master Tenant, LLC and non-debtor Guardian Healthcare FOR Non-HUD Master Tenant, LLC, which lease the real property owned by the Owned PropCos and sublease such property to the Owned OpCos.

17. Brockway is owned 100% by non-debtor Guardian Healthcare FIN Group, LLC, which is in turn owned 99% by non-debtor Guardian Healthcare FIN LLC 99% Holdco, LLC and non-debtor Guardian Healthcare FIN LLC 1% Holdco, Inc. (together, the “**Guardian FIN OpCo Holdcos**”), which otherwise have no business operations.

18. The Owned PropCos consist of the following Debtors, each of which has limited business operations but for its ownership of the real estate upon which the relevant skilled nursing facility is located: (i) GEC Highland View, LP; (ii) GEC Beaver Falls Real Estate, LLC; (iii) GEC Bethel Park Real Estate, LLC; (iv) GEC Fairmont Real Estate, LLC; (v) GEC Greensburg Real Estate, LLC; (vi) GEC Lower Burrell Real Estate, LLC; (vii) GEC Monongahela Real Estate, LLC (“**Monongahela PropCo**”); and (viii) GEC Munhall Real Estate, LLC. With the exception of GEC Highland View, LP (“**Highland**”), the Owned PropCos are each owned 100% by non-debtor Guardian Healthcare FOR Propco 100% Holdco, LLC, which is in turn owned 100% by non-debtor Guardian Healthcare FOR Intermediary, LLC.

19. GEC Beaver Falls Real Estate, LLC, GEC Fairmont Real Estate, LLC and Monongahela PropCo (together, the “**Owned HUD PropCos**”) own the real property from which the HUD Owned OpCos operate their facilities.² Highland, GEC Bethel Park Real Estate, LLC, GEC Greensburg Real Estate, LLC, GEC Lower Burrell Real Estate, LLC and GEC Munhall Real Estate, LLC (the “**Owned Non-HUD PropCos**”) own the real property subleased by the remaining Owned OpCos.

20. Highland is owned 99% by non-debtor holding company Guardian Healthcare

² Pursuant to an Amended and Restated Master Lease and Security Agreement dated August 3, 2021, non-debtor Guardian Healthcare for Non-HUD Master Tenant LLC (the “**Non-HUD Master Tenant**”), as tenant, leases the real property from the Owned Non-HUD PropCos; in turn, the Non-HUD Master Tenant subleases the real property to the Non-HUD Owned OpCos pursuant to various sublease agreements. Similarly, debtor Guardian Healthcare FOR HUD Master Tenant, LLC (the “**HUD Master Tenant**”) leases the real property owned by the Owned HUD PropCos and subleases such properties to the relevant HUD Owned OpCos.

Other Propco 99% Holdco and 1% by Guardian Healthcare Other PropCo 1% Holdco, LLC (together with Guardian Healthcare FOR Intermediary, LLC, the “**Owned PropCo Holdcos**”).

21. An organizational chart for the Owned OpCos (with the exception of Brockway) is attached hereto as **Exhibit B**.

22. An organizational chart for Brockway is attached hereto as **Exhibit C**.

23. An organizational chart for the Owned PropCos (with the exception of Highland) is attached hereto as **Exhibit D**.

24. An organizational chart for Highland is attached hereto as **Exhibit E**.

(ii) **The Cuarzo Portfolio**

25. Debtor Guardian Healthcare GOL Group, LLC (“**Guardian GOL Group**”) is the holding company for eleven (11) different limited liability companies that each operate skilled nursing facilities located in Pennsylvania (the “**Cuarzo Portfolio**” and the facilities within the Cuarzo Portfolio, the “**Cuarzo Facilities**”), with approximately 1,200 (skilled nursing and primary care) beds and 1,079 employees across such facilities.

26. The entities maintaining these facilities (the “**Operating Cuarzo Entities**”) are all Debtors in these Chapter 11 Cases, and are as follows.

Facility/Debtor Entity	Location
Guardian Elder Care at Clarion, LLC d/b/a Clarion Healthcare and Rehabilitation Center	Clarion, PA Clarion County
Guardian Elder Care at Erie II, LLC d/b/a Walnut Creek Healthcare and Rehabilitation Center	Erie, PA Erie Country
Guardian Elder Care at Hastings, LLC d/b/a Haida Healthcare and Rehabilitation Center	Hastings, PA Cambria County
Guardian Elder Care at Johnstown, LLC d/b/a Richland Healthcare and Rehabilitation Center	Johnstown, PA Cambria County
Guardian Elder Care at Lewistown, LLC d/b/a William	Lewistown, PA

Facility/Debtor Entity	Location
Penn Reserve Healthcare and Rehabilitation Center	Mifflin County
Guardian Elder Care at Oil City, LLC d/b/a Oil City Healthcare and Rehabilitation Center	Oil City, PA Venango County
Guardian Elder Care at Shippenville, LLC d/b/a Shippenville Healthcare and Rehabilitation Center	Shippenville, PA Clarion County
Guardian Elder Care at Titusville, LLC d/b/a Titusville Healthcare and Rehabilitation Center	Titusville, PA Crawford County
Guardian Elder Care at Uniontown, LLC d/b/a Uniontown Healthcare and Rehabilitation Center	Uniontown, PA Fayette County
Guardian Elder Care at Warren, LLC d/b/a Kinzua Healthcare and Rehabilitation Center	Warren, PA Warren County
Guardian Elder Care at Waynesburg, LLC d/b/a Waynesburg Healthcare and Rehabilitation Center	Waynesburg, PA Greene County

27. In addition to the foregoing, Guardian GOL Group is also the holding company for Debtors Guardian Elder Care at Altoona, LLC, Guardian Elder Care at Erie I, LLC and Guardian Elder Care at Meyersdale, LLC (together with the Operating Cuarzo Entities, “the **Guardian Cuarzo Entities**”), which previously operated facilities within the Cuarzo Portfolio but transferred the operations of such facilities to third parties as of March 31, 2023. Such entities no longer have any business operations but continue to receive collection of certain outstanding receivables.

28. Debtor Guardian GOL Group is owned 99% by Debtor Guardian Healthcare GOL LLC 99% Holdco, LLC (f/k/a Guardian Healthcare Holdings, LLC) (“**Guardian 99% Holdco**”) and 1% by Debtor Guardian Healthcare GOL LLC 1% Holdco, Inc. (f/k/a GEC Management II, Inc.) (“**Guardian 1% Holdco**,” and together with Guardian 99% Holdco, the “**Guardian GOL HoldCos**”), which otherwise have no business operations.

29. The Guardian GOL HoldCos, as well as the Ancillary Services Holdco, the

Guardian FOR Opco Holdcos, the Guardian FIN Opco Holdcos and the Owned PropCo Holdcos (together, the “**HoldCos**”), are in turn owned by the following: (i) the 2011 IRR Trust f/b/o Peter C. Varischetti, which maintains a 33% ownership interest in each of the HoldCos; (ii) the 2011 IRR Trust f/b/o Nicholas D. Varischetti, which maintains a 33% ownership interest in each of the HoldCos; (iii) the IRR Trust of Raymond L. Calhoun and Michelle L. Calhoun f/b/o Amanda R. Calhoun, which maintains a 17% ownership interest in each of the HoldCos; and (iv) the IRR Trust of Raymond L. Calhoun and Michelle L. Calhoun f/b/o Justin M. Calhoun, which maintains a 17% ownership interest in each of the HoldCos.

30. An organizational chart for the Guardian GOL HoldCos and their subsidiaries is attached hereto as **Exhibit F**.

31. The Cuarzo Facilities are leased to the Operating Cuarzo Entities by several entities affiliated with Cuarzo Healthcare Capital (f/k/a GGNSC Equity Holdings, LLC)³ (together, the “**Cuarzo Landlord**”) pursuant to a so-called master lease, which is described in greater detail below.⁴

(iii) The Omega Portfolio

32. Similar to Guardian Healthcare’s other portfolios, Guardian Healthcare’s third portfolio (the “**Omega Portfolio**”) included “OpCo” entities that operated skilled nursing facilities at various leased locations. While, at one time, the Omega Portfolio included 32 skilled nursing facilities and 6 personal care facilities, as of the Petition Date, *none of the entities within the Omega Portfolio maintain any operations*. Over the past several years, the facilities have either been sold

³ The specific entities comprising the Cuarzo Landlord are Erie Acquisition LLC, GPH Altoona Hillview LP, GPH Clarion LP, GPH Erie Western Reserve LP, GPH Hastings LP, GPH Johnstown LP, GPH Lewistown LP, GPH Meyersdale LP, GPH Oil City LP, GPH Shippensburg LP, GPH Titusville LP, GPH Uniontown LP, GPH Warren Kinzua Valley LP and GPH Waynesburg LP.

⁴ Notwithstanding any description of the lease contained herein, all rights of the Debtors as to the characterization of the Cuarzo Master Lease (as defined below) are expressly reserved.

or transferred to new operators; however, certain of the Omega Portfolio entities are subject to certain trailing liabilities stemming from their former operations. The Omega Portfolio is not included in these chapter 11 cases.

B. The Management Companies

33. Guardian Healthcare also includes certain entities that provide or provided management services in connection with its skilled nursing and other businesses: Guardian Healthcare Home Office I, LLC (“**Home Office I**”), Guardian Healthcare Home Office II, LLC (“**Home Office II**”) and Guardian Healthcare Home Office IV, LLC (“**Home Office IV**”). The holding company for all three of these entities is Debtor Guardian Healthcare Management Services Holdco, LLC (“**Management HoldCo**,” and together with Home Office I, Home Office II and Home Office IV, the “**Management Companies**”), which otherwise has no operations. Home Office I primarily provided management services to the Omega Portfolio. Home Office IV provides management services to the Owned Facilities Portfolio, and Home Office II provides management services the Cuarzo Portfolio. The management services performed by the Management Companies include human resources, clinical advisory services, risk management, accounting, and centralized billing services.

34. In exchange for their management services, these entities receive (or received) management fees paid by the entities operating each facility. Such management fees are at a level consistent, if not less, than what would be paid to a third party provider of such management services.

35. An organizational chart for the Management Companies is attached hereto as **Exhibit G**.

II. Capital Structure and Pre-Petition Obligations

36. The Debtors' significant pre-petition obligations are generally comprised of (i) secured debt obligations owed to S&T Bank; (ii) for certain Debtors within the Owned Facilities Portfolio, secured debt obligations owed to KeyBank; (iii) for certain Debtors within the Owned Facilities Portfolio, secured debt obligations owed to Public Credit, LLC; (iv) for Debtors within the Cuarzo Portfolio, obligations arising under the Cuarzo Master Lease (as defined below); (v) nursing facility assessments; and (vi) trade debt.

A. S&T Bank Secured Debt

37. Certain of the Debtors are parties to two different loan agreements with S&T Bank ("**S&T**"): one with Debtors in the Owned Facilities Portfolio and a second primarily with Debtors in the Cuarzo Portfolio.

38. The S&T Owned Facilities Loan Agreement: Pursuant to a Loan Agreement as of December 27, 2022 (as amended from time to time and collectively with all documents, notes, security agreements, guarantees, subordination agreements, deeds, instruments, indemnities, indemnity letters, fee letters, assignments, amendments, and any other agreements delivered pursuant thereto or in connection therewith, the "**S&T Owned Facilities Loan Documents**") by and among S&T, as lender, and certain of the Owned OpCos and PropCos (together, the "**Owned S&T Borrowers**"),⁵ S&T agreed to extend to the Owned S&T Borrowers a term loan in the amount of \$20,360,000 (the "**S&T Owned Facilities Loan**"), which loan was evidenced by a Note dated effective as of December 27, 2022.

⁵ Specifically, the Owned S&T Borrowers consist of Debtors Guardian Healthcare FOR LLC 99% Holdco, LLC, Brockway, Guardian Elder Care at Bethel Park, LLC, Guardian Elder Care at Greensburg, LLC, Guardian Elder Care at Lower Burrell, LLC, Guardian Elder Care at Monongahela, LLC and Guardian Elder Care at Munhall, LLC, Highland, GEC Bethel Park Real Estate, LLC, GEC Greensburg Real Estate, LLC, GEC Lower Burrell Real Estate, LLC, Monongahela PropCo and GEC Munhall Real Estate, LLC.

39. As security for their obligations under the S&T Owned Facilities Loan Documents, the Owned S&T Borrowers granted to S&T a first priority lien on substantially all of their real and personal property assets. Specifically, pursuant to a Security Agreement dated effective as of December 27, 2022, the Owned S&T Borrowers granted to S&T a security interest in, *inter alia*, their general intangibles, inventory, equipment, fixtures, investment property, deposit accounts and proceeds thereof, but specifically excluding all accounts receivable and all healthcare insurance receivable and proceeds thereof.

40. In addition, pursuant to Mortgage and Security Agreements dated effective as of December 27, 2022, the Owned Non-HUD PropCos and Monongahela PropCo, as S&T Borrowers, granted to S&T first priority mortgages on their respective real property interests, and a security interest in all personal property, leases, rents and all other property interests related to the mortgaged premises, which mortgages were duly recorded. The Owned Non-HUD PropCos and Monongahela PropCo likewise assigned to S&T all of their rights in and to any leases covering all or part of their respective real properties.

41. The obligations of the Owned S&T Borrowers under the S&T Owned Facilities Loan Documents are guaranteed by the Ancillary Debtors. To secure their guaranty obligations, pursuant to a Security Agreement dated effective as of December 27, 2022, the Ancillary Debtors granted to S&T a security interest in all of their right, title and interest in their business assets, including all accounts (including all healthcare insurance receivables), general intangibles, inventory, equipment, fixtures, investment property, deposit accounts and proceeds thereof.

42. Moreover, as further security for the S&T Owned Facilities Loan, certain debtor and non-debtors pledged to S&T their right, title and interest in their respective interests in each

of the S&T Owned Borrowers and any related distributions and proceeds.⁶

43. On or about June 28, 2023, Monongahela PropCo paid to S&T \$3,136,500.00 in partial satisfaction of the S&T Owned Facilities Loan, in exchange for which S&T released its liens on the assets of Monongahela PropCo and Monongahela OpCo.

44. As of the Petition Date, the principal amount outstanding under the S&T Owned Facilities Loan Agreement was approximately \$16,500,000.

45. The S&T Cuarzo Loan Agreement: Pursuant to a Loan Agreement dated effective as of October 1, 2016 (as amended from time to time, the “**S&T Cuarzo Loan Agreement**”) by and among S&T, as lender, Guardian 99% Holdco, as agent and borrower, and certain other borrowers specified therein (together, the “**Cuarzo Portfolio Debtors**”),⁷ S&T agreed to extend to the Cuarzo Portfolio Debtors (i) a line of credit facility of up to \$18 million (the “**Prepetition S&T Cuarzo Loan**”), and (ii) an irrevocable letter of credit for the benefit of the Cuarzo Landlord (as defined below) in the face amount required from time to time by the landlord in accordance with the terms of the Cuarzo Master Lease (as defined below), to be used for the sole purpose of securing the Cuarzo Portfolio Debtors’ performance under the Cuarzo Master Lease.

46. The Prepetition S&T Cuarzo Loan is evidenced by a Note dated effective as of

⁶ The Pledgors consist of the following entities: Debtor Guardian Healthcare FOR Group, LLC and non-debtors Guardian Healthcare FIN Group, LLC, the Owned PropCo HoldCos, Guardian Healthcare FOR Propco 100% Holdco, LLC, the 2011 Irrevocable Trust for Peter C. Varischetti dated December 9, 2011, the 2011 Irrevocable Trust of Nicholas D. Varischetti dated December 9, 2011, the Irrevocable Trust of Raymond L. Calhoun and Michelle L. Calhoun f/b/o Amanda R. Calhoun dated July 6, 2010 and the Irrevocable Trust of Raymond L. Calhoun and Michelle L. Calhoun f/b/o Justin M. Calhoun dated July 6, 2010.

⁷ In addition to Debtors Guardian 99% Holdco and Guardian 1% Holdco, the Cuarzo Portfolio Debtors include the following Debtors: Guardian Elder Care at Altoona, LLC, Guardian Elder Care at Clarion, LLC, Guardian Elder Care at Warren, LLC, Guardian Elder Care at Oil City, LLC, Guardian Elder Care at Shippensburg, LLC, Guardian Elder Care at Titusville, LLC, Guardian Elder Care at Uniontown, LLC, Guardian Elder Care at Erie II, LLC, Guardian Elder Care at Meyersdale, LLC, Guardian Elder Care at Waynesburg, LLC, Guardian Elder Care at Lewistown, LLC, Guardian Elder Care at Hastings, LLC, Guardian Elder Care at Johnstown, LLC and Guardian Elder Care at Erie I, LLC and Home Office II.

October 1, 2016, in the amount of \$18 million, in favor of S&T Bank, as modified by the December 22, 2022 Amended and Restated Note, which reduced the available line of credit commitment amount to \$8 million. In addition, pursuant to an accompanying Security Agreement dated effective as of October 1, 2026 between the Cuarzo Portfolio Debtors and S&T, the Prepetition S&T Cuarzo Loan is secured by a first priority security lien on, and security interest in (the **“Prepetition S&T Cuarzo Lien”**) all of the Cuarzo Portfolio Debtors’ accounts, including medical assistance payments, healthcare insurance receivables, Medicaid and Medicare receivables and all other government entity receivables, deposit accounts holding proceeds of accounts, and certain related proceeds to the extent provided in and as more fully described in the Prepetition S&T Cuarzo Loan documents (the **“Accounts”**), subject to any Permitted Liens as that term is defined in S&T Cuarzo Loan Agreement.

47. As of the Petition Date, the principal amount outstanding under the S&T Cuarzo Loan Agreement was approximately \$7,501,000.

B. The KeyBank HUD-Insured Secured Debt

48. As noted above, the HUD Owned OpCos operate facilities on properties owned by the Owned HUD PropCos. In connection with the operation of such facilities, the Owned HUD PropCos received secured loans from KeyBank, N.A. (**“KeyBank”**), which are insured by the U.S. Department of Housing and Urban Development (**“HUD”**).

49. On November 18, 2021, Debtor GEC Beaver Falls Real Estate, LLC (**“Beaver Falls PropCo”**) and KeyBank entered into a note and series of loan documents (collectively, the **“Beaver Falls HUD Loan Documents”**), pursuant to which Beaver Falls PropCo received a HUD-insured loan from KeyBank in the amount of \$11,981,300 (the **“Beaver Falls HUD Loan”**). The obligations under the Beaver Falls HUD Loan are guaranteed by Debtors HUD Master Tenant

and Beaver Falls OpCo

50. The Beaver Falls HUD Loan is secured by a first priority lien on, and security interest in (the “**KeyBank Beaver Falls Prepetition Liens**”), (i) a mortgage on the real property owned by Debtor Beaver Falls PropCo; (ii) a security interest in any related personal property located thereon, and an assignment of leases and rents with respect to the real property; (iii) a security interest in substantially all assets of Debtor HUD Master Tenant; and (iv) a security interest in substantially all assets of Debtor Beaver Falls OpCo, as operator of the facility, including all fixtures, furniture, equipment and accounts receivable, subject only to any Prepetition Permitted Liens (as defined in the Beaver Falls HUD Loan Documents).

51. On March 25, 2022, Debtor GEC Fairmont Real Estate, LLC (“**Fairmont PropCo**”) and KeyBank entered into a note and series of loan documents (collectively, the “**Fairmont HUD Loan Documents**”), pursuant to which Debtor Fairmont PropCo received a HUD-insured loan from KeyBank in the amount of \$22,872,000 (the “**Fairmont HUD Loan**”). The obligations under the Fairmont HUD Loan are guaranteed by Debtors HUD Master Tenant and Fairmont OpCo. The Fairmont HUD Loan is secured by a lien on, and security interest in, (i) a first priority mortgage on the real property owned by Debtor Fairmont PropCo; (ii) a security interest in any related personal property located thereon, and an assignment of leases and rents with respect to the real property; (iii) a security interest in substantially all assets of Debtor HUD Master Tenant; and (iv) a security interest in substantially all assets of Debtor Fairmont OpCo, as operator of the facility, including all fixtures, furniture, equipment and accounts receivable (the “**KeyBank Fairmont Prepetition Collateral**”), subject only to any Prepetition Permitted Liens (as defined in the Fairmont HUD Loan documents) and the Public Credit Prepetition Liens (as defined below).

52. On April 26, 2023, Debtor Monongahela PropCo and KeyBank entered into a note and series of loan documents (collectively, the “**Monongahela HUD Loan Documents**,” together with the Beaver Valley HUD Loan Documents and the Fairmont HUD Loan Documents, the “**KeyBank HUD Loan Documents**”), pursuant to which Debtor Monongahela PropCo received a HUD-insured loan from KeyBank in the amount of \$4,648,000 (the “**Monongahela HUD Loan**,” and together with the Beaver Falls HUD Loan and Fairmont HUD Loan, the “**HUD Loans**”). The obligations under the Monongahela HUD Loan are guaranteed by Debtors HUD Master Tenant and Monongahela OpCo .

53. The Monongahela HUD Loan is secured by a first priority lien on, and security interest in, (i) a mortgage on the real property owned by Monongahela PropCo; (ii) a security interest in any related personal property located thereon, and an assignment of leases and rents with respect to the real property; (iii) a security interest in substantially all assets of Debtor HUD Master Tenant; and (iv) a security interest in substantially all assets of Debtor Monongahela OpCo, as operator of the facility, including all fixtures, furniture, equipment and accounts receivable, subject to any Prepetition Permitted Liens (as defined in the Monongahela HUD Loan Documents).

54. As of the Petition Date, the amount outstanding under the Beaver Falls HUD Loan is approximately \$11,207,000, the amount outstanding under the Fairmont HUD Loan is approximately \$22,381,000, and the amount outstanding under the Monongahela HUD Loan is approximately \$4,593,000.

C. The Public Credit Loan

55. Pursuant to a Revolving Line of Credit Loan Agreement dated March 22, 2024

between Public Credit, LLC, as lender (“**Public Credit**”)⁸ and the HUD Owned OpCos, Guardian Elder Care at Bethel Park, LLC, Guardian Healthcare at Greensburg, LLC, Guardian Elder Care at Lower Burrell, LLC, Guardian Elder Care at Munhall, LLC, Guardian Healthcare FOR Group, LLC and the Guardian FOR OpCo Holdcos (together, the “**Public Credit Prepetition Borrowers**”), as borrowers, Public Credit agreed to retire an existing secured credit facility and extend to the Public Credit Prepetition Borrowers a commercial revolving line of credit in the amount of up to \$4 million for working capital needs (the “**Public Credit Prepetition Loan**”).

56. The Public Credit Prepetition Loan is evidenced by a Note dated effective as of March 22, 2024 in the amount of \$4,000,000 in favor of Public Credit. In addition, pursuant to a Security Agreement dated effective as of March 22, 2024 between the Public Credit Prepetition Borrowers and Public Credit, the Public Credit Prepetition Loan is secured by liens on, and a security interest in (the “**Public Credit Prepetition Liens**”), all of the Public Credit Prepetition Borrowers’ right title and interest in all accounts (including healthcare insurance receivables and Medicaid and Medicare receivables), deposit accounts and inventory (the “**Public Credit Prepetition Collateral**”).

57. The Public Credit Prepetition Liens on the Public Credit Prepetition Collateral are junior to the liens granted to KeyBank in the same collateral, with the exception of Public Credit’s lien on the Public Credit Prepetition Collateral of Debtor Fairmount OpCo, in which Public Credit holds the first position, which first position KeyBank asserts may be in dispute. As of the Petition Date, the amount outstanding under the Public Credit Loan is approximately \$4,000,000.

⁸ Public Credit is a wholly-owned subsidiary of Varischetti Holdings, LP, which is in turn owned by the 2011 IRR Trust FBO Peter C Varischetti, the 2011 IRR Trust FBO Frank A Varischetti and the 2011 IRR Trust FBO Nicholas D Varischetti.

D. Cuarzo Master Lease

58. On October 1, 2016, the Cuarzo Landlord, as landlord, and the Guardian Cuarzo Entities and certain related entities, as tenants (collectively, the “**Cuarzo Lessees**”)⁹ entered into a Master Lease (as amended, the “**Cuarzo Master Lease**”)¹⁰ for the lease of fourteen skilled nursing facilities located in Pennsylvania. On the same date, Debtors Guardian 99% Holdco and Guardian 1% Holdco and/or their predecessors in interest guaranteed the Cuarzo Lessees’ obligations under the Cuarzo Master Lease. Pursuant to the Cuarzo Master Lease, the Cuarzo Lessees lease the Premises (as defined therein), which includes certain real property, leasehold improvements located thereon, fixtures, and certain related intangible rights.

59. As partial collateral for the Cuarzo Lessees’ obligations under the lease, the Cuarzo Master Lease requires that the Cuarzo Lessees maintain a letter of credit equal to five (5) monthly payments of base rent (though such amount may be subject to reduction in accordance with the terms of the Cuarzo Master Lease). On or about October 1, 2016, S&T issued, for the benefit of the Cuarzo Landlord, Irrevocable Letter of Credit No. SB-004078 (“**Cuarzo Letter of Credit**”) in the face amount of \$2,250,000 (subject to adjustment) for the sole purpose of securing the Cuarzo Lessees’ performance under the Cuarzo Master Lease. Upon an event of default, the Cuarzo Landlord may draw upon the Cuarzo Letter of Credit and apply the cash proceeds thereof to (i) the obligations due from the Cuarzo Lessees to the Cuarzo Landlord under the Cuarzo Master Lease; and (ii) compensate the Cuarzo Landlord for the damages suffered or incurred in connection

⁹ While there were originally 14 Cuarzo Lessees under the Cuarzo Master Lease, in December 2022, Guardian GOL Group entered into an operations transfer agreement for three of its skilled nursing facilities, which was completed in March 2023. As such, there remain 11 Cuarzo Lessees at this time, all of which are Debtors in these chapter 11 cases.

¹⁰ Notwithstanding the description herein, all rights of the Debtors as to the characterization of the Cuarzo Master Lease are expressly reserved.

with such event of default. Guardian 99% Holdco has a reimbursement obligation with respect to any draws under the Cuarzo Letter of Credit pursuant to a Letter of Credit Note in favor of the S&T, effective October 1, 2016.¹¹

60. In addition to the Cuarzo Letter of Credit, for purposes of securing the Cuarzo Lessees' obligations under the lease, the Cuarzo Lessees granted to the Cuarzo Landlord a security interest and contractual lien (the "**Prepetition Cuarzo Lien**") upon all of the Cuarzo Lessees' rights, title and interest in and to (i) the Property Collateral (as defined in the Cuarzo Master Lease), which generally consists of the Cuarzo Lessees' personal property located at each facility, (ii) the Accounts, and (iii) the Authorization Collateral (as defined in the Cuarzo Master Lease), which generally consists of any authorizations issued or licensed to, or leased or held by, the Cuarzo Lessees.

61. In accordance with the terms of the Cuarzo Master Lease and that certain Intercreditor Agreement dated September 30, 2016 between the Cuarzo Landlord and S&T (the "**Intercreditor Agreement**"), the Prepetition Cuarzo Lien on the Accounts is subordinated and junior to the Prepetition S&T Cuarzo Lien on the Accounts. Pursuant to the Intercreditor Agreement, the Cuarzo Landlord subordinated all of its rights, title and interest in the Accounts to S&T *except* that in the event of a default under the Cuarzo Master Lease that remains uncured, and subsequent to the commencement of certain enforcement actions by the Cuarzo Landlord, the Cuarzo Landlord may issue a "Cut-off Notice," thirty (30) days after which the Cuarzo Landlord will have *first* priority with respect to any Accounts relating to services performed or rendered

¹¹ In support of the Cuarzo Letter of Credit, the following parties entered into Securities Pledge Agreements dated effective as of October 1, 2016, pursuant to which the parties pledged and assigned to S&T a lien on certain pledged accounts (together, the "**Pledged Accounts**"), including cash deposits, securities and other financial assets, to secure the full and timely payment and performance of the Obligations (as defined therein): (i) Peter C. Varischetti, Trustee of the 2011 Irrevocable Trust for Peter C. Varischetti, dated December 9, 2011, (ii) Nicholas D. Varischetti, Trustee of the 2011 Irrevocable Trust for Nicholas D. Varischetti, dated December 9, 2011, and (iii) Raymond L. Calhoun.

after the cut-off date.

62. As a result of certain liquidity constraints, the Cuarzo Portfolio Debtors ceased rent payments under the Cuarzo Master Lease in July 2023. Accordingly, the Cuarzo Landlord drew on the Cuarzo Letter of Credit on or around September 8, 2023 and S&T exercised its rights with respect to the Pledged Accounts.

63. As of the Petition Date, after applying the proceeds from the Cuarzo Letter of Credit, the Debtors estimate that the amount of \$12,522,750 is outstanding on account of rent and related obligations, including interest and other obligations, asserted under the Cuarzo Master Lease.

E. Nursing Facility Assessments

64. The Commonwealth of Pennsylvania maintains a Pennsylvania Nursing Facility Assessment Program, which implements a monetary assessment on each nursing facility in the Commonwealth (the “**Nursing Facility Assessments**”). *See* PA St. 62 P.S. § 802-A. The purpose of the program is to generate additional revenues for medical assistance recipients to have access to medically necessary nursing facility services. The assessment amount for each nursing facility is determined on an annual basis, and payment of such assessments is typically due on a quarterly basis.

65. The mounting obligations for Nursing Facility Assessments are a contributing factor to the Debtors’ liquidity challenges. The Debtors estimate that, as of the Petition Date, the relevant Debtors have accrued approximately \$26,976,000 in Nursing Facility Assessments under the Pennsylvania Nursing Facility Assessment Program. No lien has been asserted and/or recorded against any of the Debtors with respect to the Nursing Facility Assessments.

D. Trade Debt

66. The Debtors estimate that they owe approximately \$7,303,985 to vendors and other parties in trade debt as of the Petition Date, with approximately \$1,578,482 attributed to the Debtors in the Cuarzo Portfolio, approximately \$3,837,158 related to the Management Companies, approximately \$842,078 related to the Ancillary Debtors, and approximately \$1,046,000 related to the Debtors within the Owned Facilities Portfolio.

III. Circumstances Leading to Chapter 11 Filing

67. A variety of factors contributed to the Debtors' present need for relief under chapter 11. Like numerous other skilled nursing and other similar facilities, the Debtors' patient census (and the revenues related thereto) was negatively impacted by the COVID-19 pandemic, as various policies were implemented by federal, state and local governments that led many people to remain home and forced the closure of, or limitations on, certain businesses. These limitations caused declines in occupancy as a result of reduced admissions and imposed additional operating costs as a result of increased infection control and prevention regulations aimed at reducing resident exposure to the virus. In addition, the Debtors experienced a decline in referrals to their facilities during this time, as hospitals shifted their focus to COVID-related care and suspended certain surgeries.

68. Following the pandemic, occupancy and revenue failed to return to pre-pandemic levels while labor costs increased dramatically. Nursing staffing shortages forced the Debtors to rely on outside agencies to supply staffing, resulting in additional burdensome costs. Inflation and pressure from rising wages in 2022 and 2023 resulted in further unanticipated increases in labor costs. This, combined with mandated, yet not fully funded increased staffing ratios, meaningful decreases in reimbursements from managed care organizations (notwithstanding a 17% increase

in Medicaid rates in Pennsylvania effective January 1, 2023) and significant obligations related to Nursing Facility Assessments, created an unsustainable liquidity position for the Debtors.

69. The Debtors are not alone in experiencing these challenges. At least twenty-five (25) Pennsylvania nursing homes have closed since the pandemic began, with factors like the continued workforce shortages and Medicaid underfunding playing key roles. *See* Amy Stulick, *Even in States with Medicaid Increases, Nursing Home Closures Pile Up*, SKILLED NURSING NEWS (Apr. 12, 2024), https://skillednursingnews.com/2024/04/even-states-with-medicaid-increases-say-its-not-enough-as-closures-pile-up/?itm_source=parsely-api; Garry Pezzano, *Medicaid Funding for Senior Services Can Restore Access to Care for Older Pennsylvanians*, PHILLYBURBS.COM (Apr. 12, 2024), <https://www.phillyburbs.com/story/opinion/2024/04/12/pennsylvania-nursing-homes-threatened-by-medicaid-underfunding/73265933007/>. These closures have contributed to the loss of over 2,500 skilled nursing beds in Pennsylvania since 2020. *See id.* Moreover, even for facilities that have avoided closure, many such facilities have nevertheless been forced to turn away new patients because workforce shortages and insufficient reimbursements have limited the amount of patients that such facilities can effectively treat.

70. The Group's priority has always been and remains providing quality care to its residents. As such, in an effort to combat such challenges while maintaining quality care, the Group implemented a strategic plan focused on strengthening referral relations with acute care partners, increasing the speed of accepting referrals for admission, ramping up recruiting and retention efforts, and continuing to exceed national peer benchmarks for delivering quality patient care. In addition, in an effort to improve its liquidity position, the Group, *inter alia*:

- Engaged professional advisors to assist with liquidity, financial, operational and strategic planning issues;

- Worked closely with its landlords to identify replacement operators;
- Sold or transferred certain facilities within its portfolios;
- Actively engaged with its secured lenders regarding the outstanding liabilities associated with each portfolio; and
- Reduced overhead expenses to ensure that financial resources were directed to patient care.

71. The Cuarzo Landlords retained Houlihan Lokey in the Summer of 2023, which the Debtors are advised undertook an extensive process to locate replacement tenants and replacement operators for the Cuarzo Facilities. The Cuarzo Portfolio Debtors are engaged in ongoing negotiations with an identified new operator to effectuate a private transfer and sale of the Cuarzo Portfolio Debtors' operations at the Cuarzo Facilities to new operators pursuant to an Operations Transfer Agreement and hope to be in a position to seek Court approval of this transaction shortly. The terms of the proposed transfer and the marketing process conducted to locate new operators for the Cuarzo Facilities will be detailed in a private sale motion (the "**Private Sale Motion**").

72. Similarly, prior to these Chapter 11 Cases, the Debtors worked with an experienced broker – SLIB II, Inc. d/b/a Senior Living Investment Brokerage – which, following extensive marketing efforts, identified a buyer for the real property held by the Owned PropCos and worked to transfer the properties to the buyer who, in turn, identified a proposed operator for the transfer of the nursing home operations under its proposed ownership. Unfortunately, the party selected by the buyer to assume operations at the Owned Facilities was not able to receive approval from Pennsylvania Department of Health (the "**Department of Health**"), which required the parties to quickly shift gears to look for a new operator.

73. The real property buyer has since located a different proposed operator and the Owned Portfolio Debtors are close to finalizing an Agreement of Purchase and Sale and an

Operations Transfer Agreement, to serve as a proposed “Stalking Horse Bid” for the sale and transfer of the Owned Portfolio Debtors’ assets and nursing home operations pursuant to a proposed marketing and sale process, for which Court approval will be sought by motion (the **“Bidding Procedures/Sale Motion”**).

74. It is anticipated that the potential sale of the Non-HUD Debtors’ real property will require the cooperation and certain concessions from the primary secured creditor S&T. To that end, the Non-HUD Debtors entered into good faith negotiations with S&T regarding a proposed transaction to facilitate the sale of the facilities and the safe transfer of nursing home operations to new operators. On July 29, 2024, the Non-HUD Debtors and S&T entered into the Amended and Restated Release Agreement (the **“Release Agreement”**) pursuant to which, inter alia, S&T agreed to forgive \$3.2 million of the amount due and owing under the terms of the S&T Owned Facilities Loan Documents in exchange for (a) payment of the net proceeds from the sale of the Non-HUD Debtors’ assets, (b) payment of an additional amount of up to \$3.2 million from a source other than a Debtor, which source will be a non-debtor entity affiliated with the Non-HUD Debtors, (c) payment of any remaining amounts due under the S&T Prepetition Loan (the **“Shortfall Obligation”**) from the Ancillary Debtors; which Shortfall Obligation shall be secured in an amount of up to \$250,000 from a pledge of collateral from Varischetti Investments, LP (**“VILP”**), and (d) a release.

IV. Objectives of Chapter 11 Filing

75. As noted above, once the Debtors concluded that they could no longer sustain nursing home operations, the Debtors immediately began working to identify parties to purchase the Owned Portfolio real estate and to take over operations for the nursing home facilities within the Owned Facilities Portfolio and the Cuarzo Portfolio.

76. Through these chapter 11 cases, and as discussed above, the Debtors intend to seek to effectuate the sale of their assets and the transfer of their operations with a primary focus on maintaining the highest quality of care for the Debtors' residents and patients. In the interim, and as discussed below and subject to Court approval, the Debtors have obtained debtor-in-possession financing and the consensual use of their lenders' cash collateral, to ensure that the Debtors can honor their post-petition obligations and continue to operate effectively and safely during these chapter 11 cases, until their nursing operations can be transferred.

77. The Debtors' financial circumstances are urgent and time is of the essence with respect to potential transactions through which their facilities can be transferred to stable operators. The Debtors thus seek to act quickly in the early weeks of these chapter 11 cases to work with their constituents to effectuate a solution that is in the best interests of the Debtors' estates, creditors and residents.

V. First Day Motions

78. The Debtors have filed or will file a number of "first day" and "second day" motions seeking orders granting various forms of relief. I believe the forms of relief requested are necessary to enable the Debtors to operate with minimal disruption to patient care and safety during the pendency of the chapter 11 cases and to ensure the best outcome for the Debtors, their estates, their creditors, and all other parties in interest. A description of the relief requested and the facts supporting each of the first day motions is set forth below.

A. Motion for Joint Administration

79. Pursuant to the *Debtors' Emergency Motion for Entry of an Order Directing the Joint Administrative of the Debtors' Chapter 11 Cases* (the "**Joint Administration Motion**"), the Debtors seek the entry of an order (a) authorizing the consolidation and joint administration of the

Debtors' chapter 11 cases, for procedural purposes only, and (b) directing parties in interest to use a consolidated caption indicating that any pleading they file relates to the jointly administered bankruptcy cases of "Guardian Elder Care at Johnstown, LLC, d/b/a/ Richland Healthcare and Rehabilitation Center, *et al.*" Many of the motions, hearings and other matters involved in the chapter 11 cases will affect all of the Debtors, and joint administration of these cases will avoid the unnecessary time and expense of duplicative motions, applications and orders, thereby saving considerable time and expense for the Debtors and resulting in substantial savings for their estates. Accordingly, I believe the Court should approve the joint administration of these chapter 11 cases and grant the Joint Administration Motion.

B. Matrix Consolidation Motion

80. Pursuant to the *Debtors' Emergency Motion for an Order (I) Authorizing the Debtors to File a Consolidated Creditor Matrix, (II) Authorizing the Debtors to File a Consolidated List of the Debtors' 30 Largest Unsecured Creditors, and (III) Establishing Patient Notice Procedures* (the "**Matrix Consolidation Motion**"), the Debtors seek entry of an order (i) authorizing the Debtors to file a consolidated list of creditors (the "**Creditor Matrix**"), (ii) authorizing the Debtors to file a consolidated list of the Debtors' 30 largest unsecured creditors, and (iii) establishing certain notice procedures for patients.

81. Given the affiliated nature of the Debtors, the Debtors submit that permitting them to maintain a single consolidated Creditor Matrix, in lieu of filing a separate creditor matrix for each Debtor, is warranted. Segregating the Debtors' records to a specific creditor matrix format, in particular given the size and scope of these chapter 11 cases and the number of the Debtors' creditors, would be an unnecessarily burdensome task and would serve no practical purpose. Indeed, because many creditors are creditors of more than one Debtor, failure to maintain a single

consolidated Creditor Matrix would result in duplicate mailings. In addition, filing a single consolidated Creditor Matrix would facilitate the U.S. Trustee's review of creditors' claims and its appointment of a single creditors' committee in these cases. Based on the foregoing, in the absence of any corresponding benefit, the Debtors request authority to file the consolidated Creditor Matrix in lieu of filing separate lists for each Debtor. I believe that such relief is appropriate under the circumstances for the efficient and orderly administration of these cases.

82. Similarly, by the Consolidation Motion, the Debtors respectfully request authority to file a single consolidated list of their 30 largest general unsecured creditors (the "**Top Creditor List**"). As explained above, a large number of creditors are shared amongst the Debtors. Therefore, the Top Creditor List will help alleviate administrative burdens, costs and the possibility of duplicative service, and facilitate the U.S. Trustee's appointment of a committee in these cases.

83. By the Consolidation Motion, the Debtors also request that the Court adopt specific notice procedures related to the notification of current and former patients of the Debtors. In particular, the Debtors request authority to serve the following notices on all current patients and, to the extent the Debtors maintain mailing addresses for such parties, former patients of the Debtors since January 1, 2020 (or their legal representatives): (i) a Notice of Commencement of Case, substantially in the form of Official Form 309F; (ii) to the extent the Court enters an order approving bidding procedures for the sale of substantially all of the Debtors' assets free and clear of all liens, claims, interests, and encumbrances, a notice of any such sale; (iii) to the extent the Court enters an order approving a deadline by which parties must file proofs of claim in these Chapter 11 Cases, a notice of such bar date; and (iv) to the extent a party files a chapter 11 plan in these Chapter 11 Cases, a notice of filing of such plan. No other filings shall be served on current and former patients, except patients that (i) are listed in the Schedules of Assets and Liabilities of

any of the Debtors, (ii) file a proof of claim, (iii) file a notice of appearance, or (iv) are residents of the Debtors' facilities as of the Petition Date shall be served in accordance with the Bankruptcy Code and Bankruptcy Rules or as otherwise ordered by this Court.

84. Although it is possible for the Debtors to identify which creditors have actual claims against the Debtors, it is impracticable for them to identify former patients that may have unknown claims that have not yet manifested. Moreover, providing individual notice to every current and former patient of the Debtors since the outset of the Debtors' operations in 1995 would be impractical and unnecessarily expensive given that the Debtors have seen thousands of patients during that time. I therefore believe that it is in the best interests of the Debtors' estates and all creditors and other interested parties to adopt the foregoing notice procedures with respect to current and former patients.

C. Claims and Noticing Agent Retention

85. Pursuant to the *Application of Debtors for Order Appointing Omni Agent Solutions as Claims and Noticing Agent under 28 U.S.C. § 156(c), 11 U.S.C. § 105(a), and W. PA. LBR 1002-8, Effective as of the Petition Date* (the "**Claims Agent Application**"), the Debtors seek the entry of an order appointing Omni Agent Solutions, Inc. ("**Omni**") as the Claims and Noticing Agent for the Debtors and their chapter 11 cases, including assuming full responsibility for the distribution of notices and the maintenance, processing and docketing of proofs of claim filed in the Debtors' chapter 11 cases. Prior to selecting Omni to act as the Claims and Noticing Agent, the Debtors obtained and reviewed engagement proposals from at least two other court-approved claims and noticing agents to ensure selection through a competitive process. Based on all engagement proposals obtained and reviewed, I believe that Omni's rates are competitive and

reasonable given Omni's quality of services and expertise. The terms of Omni's retention are set forth in the Engagement Agreement attached to the Claims Agent Application as Exhibit C.

86. Although the Debtors have not yet filed their schedules of assets and liabilities, they anticipate that there will be thousands of entities to be noticed in these cases. In view of the number of anticipated claimants and the complexity of the Debtors' businesses, I submit that the appointment of a claims and noticing agent will provide the most effective and efficient means of, and relieve the Debtors and/or the Office of the Clerk of the Bankruptcy Court of the administrative burden of, noticing, administering claims, and soliciting and balloting votes, and is in the best interests of both the Debtors' estates and their creditors. Accordingly, I believe that appointing Omni as the claims, noticing and balloting agent in these chapter 11 cases will maximize the value of the Debtors' estates for all of their stakeholders.

D. Case Management Procedures Motion

87. By the *Debtors' Emergency Motion for an Order Establishing Certain Notice, Case Management and Administrative Procedures, including Omnibus Hearing Dates and Times* (the "**Case Management Motion**"), the Debtors seek to establish certain case management procedures that will apply to these chapter 11 cases, including a master service list. By approving and implementing certain case management procedures and approving a service list, the Debtors believe that the administration of these cases will be streamlined and the burden upon the Court will be reduced. As set forth in the Case Management Motion, the Debtors have used Local Form 58 as the baseline for the proposed order approving the motion. To assist the Court and parties in interest with evaluating the proposed order, attached to the Case Management Motion is a redline reflecting the differences between the proposed order and Local Form 58.

E. Patient Confidentiality Procedures Motion

88. By the *Debtors' Emergency Motion for an Order Approving Certain Procedures to Maintain the Confidentiality of Patient Information as Required by Applicable Privacy Rules* (the “**Patient Confidentiality Procedures Motion**”), the Debtors seek the entry of an order authorizing certain procedures to maintain the confidentiality of patient information as required by the Health Insurance Portability and Accountability Act of 1996 (“**HIPAA**”), while providing required disclosure in these chapter 11 cases.

89. HIPAA and its corresponding regulations impose stringent standards on health care providers and establish significant penalties for any health care provider that uses or discloses patient information. *See* 42 U.S.C. § 1302d, *et. seq.*, 45 C.F.R. § 164.502.

90. Because the Debtors qualify as health care providers that transmit health information, they are considered “covered entities” under 45 C.F.R. § 160.103. This designation prevents the Debtors from disclosing, except in limited circumstances, “individually identifiable health information.” 45 C.F.R. § 164.502. HIPAA defines “individually identifiable health information” as any information relating to the individual’s “past, present or future physical or mental health or condition, the provision of health care to the individual, or the past, present or future payment for the provision of health care to the individual” that also “identifies the individual or for which there is a reasonable basis to believe that the information can be used to identify the individual.” 42 U.S.C. § 1302d(6). Individually identifiable health information is referred to as PHI under HIPAA.

91. The Debtors could be subjected to significant monetary penalties for the unauthorized disclosure of PHI. *See* 45 C.F.R. § 160.402. Such penalties can be imposed even if a person “did not know and, by exercising reasonable diligence, would not have known” that a violation occurred. *See id.* at § 160.404(b)(2)(i).

92. The Debtors believe, and I agree, that the requirements to maintain patient confidentiality under HIPAA conflict with the requirements to disclose information under the Bankruptcy Code, specifically the duty to file a list of all creditors under Bankruptcy Code section 521(a)(1)(A) and the duty to file schedules of all assets and liabilities under Bankruptcy Code section 521(a)(1)(B)(i). The Debtors therefore respectfully request that such patient information be protected through the privacy procedures set forth in the Patient Confidentiality Motion pursuant to Bankruptcy Code section 107(c), which allows a bankruptcy court, for cause, to protect an individual if disclosure would create an undue risk of unlawful injury.

93. I believe that the relief requested in the Patient Confidentiality Motion appropriately balances the need to maintain confidential patient information under HIPAA with the need for adequate disclosure under the Bankruptcy Code. Given the nature of any information that may reveal even the identity of patients, confidentiality in this context is of paramount importance.

F. DIP Financing and Cash Collateral Motions

94. As noted above, the Debtors are in critical need of funds and the use of cash collateral to fund working capital needs and otherwise continue their operations without disruption during these chapter 11 cases, until their operations can be transferred to new operators. In anticipation of this need, the Cuarzo Portfolio Debtors, with the assistance of Eisner, communicated with both S&T Bank and approximately six other lending parties about their willingness to provide sufficient financing, including financing on a junior basis. Unfortunately, given the Debtors' current financial condition, financing arrangements and capital structure, as well as the challenges facing skilled nursing facilities in the Western Pennsylvania market, none of the parties contacted, other than S&T, were interested in providing terms to the Debtors and/or

engaging in a priming dispute with S&T. Based upon the reaction of parties contacted regarding the minimal financing for the Carzo Portfolio Debtors, and given the significant secured debt held by the Owned Portfolio Debtors, I concluded that attempting to find a third-party to provide financing for the Owned Portfolio Debtors was futile. The only parties willing to extend post-petition financing to the Debtors are S&T and Public Credit.

95. Following extensive good faith, arms' length negotiations with S&T, KeyBank, and Public Credit, subject to Court approval, the Debtors have agreed to enter into two separate DIP Credit Agreements (collectively, and as the same may be amended, restated, supplemented, waived or otherwise modified from time to time, the "**DIP Agreements**"): one with the Cuarzo Portfolio Debtors, and a second pertaining to the Owned Portfolio/Ancillary Debtors (as defined in the Owned Facilities DIP/Cash Collateral Motion (as defined below)). Consistent with this, contemporaneously herewith, the Debtors have filed two separate motions for approval of proposed post-petition financing and use of cash collateral: (i) the *Cuarzo Portfolio Debtors' Motion for Interim and Final Orders (I) Authorizing (A) Senior Secured, Superpriority Postpetition Financing and (B) the Use of Cash Collateral; (II) Granting Adequate Protection; (III) Modifying the Automatic Stay; and (IV) Granting Related Relief* (the "**Cuarzo DIP/Cash Collateral Motion**"); and (ii) *The Owned Portfolio/Ancillary Debtors' Motion for Interim and Final Orders (I) Authorizing (A) Senior Secured, Superpriority Postpetition Financing and (B) the Use of Cash Collateral; (II) Granting Adequate Protection; (III) Modifying the Automatic Stay, and (IV) Granting Related Relief* (the "**Owned Facilities DIP/Cash Collateral Motion**," and together with the Cuarzo DIP/Cash Collateral Motion, the "**DIP Motions**").

96. By the Cuarzo DIP/Cash Collateral Motion, the Debtors seek the entry of interim and final orders authorizing, *inter alia*, the Cuarzo Portfolio Debtors to (i) obtain secured

postpetition financing from S&T Bank of up to \$570,000.00 (the “**Cuarzo S&T DIP Loan**”) in accordance with the terms of a DIP Credit Agreement (the “**Cuarzo DIP Credit Agreement**”), which loan would be secured by first priority security interests in the postpetition Accounts. The Debtors seek to grant to S&T, in its capacity as DIP Lender, a superpriority administrative expense claim for the DIP Obligations, and liens on, and security interests in, the DIP Collateral (both as defined in, and with the priority set forth in, the Cuarzo DIP/Cash Collateral Motion). The obligations under the postpetition financing will be supported by a certain Pledge Agreement between S&T and non-debtor VILP pursuant to which VILP has pledged to S&T certain deposit accounts.

97. By the Owned Facilities DIP/Cash Collateral Motion, the Debtors seek the entry of interim and final orders authorizing, the Owned Portfolio/Ancillary Debtors to obtain secured postpetition financing in the aggregate principal amount of \$6,500,000 (the “**Owned DIP Loan**,” and together with the Cuarzo S&T DIP Loan, the “**DIP Loans**”) comprising: (a) a new money delayed line of credit in an aggregate principal amount of up to \$2,500,000, half of which is to be provided by Public Credit on a last-out basis and the other half of which is to be provided by S&T; and (b) a delayed line of credit draw in an aggregate principal amount of \$4,000,000 to roll up (upon entry of a final order approving the Motion) the existing outstanding obligations owed to Public Credit under the Public Credit Prepetition Loan Documents (as defined in the Motion), subject to the terms and conditions of the proposed interim order and the DIP Agreement by and among the Owned Portfolio/Ancillary Debtors, as borrowers, S&T Bank, as administrative agent, and S&T and Public Credit (together, the “**DIP Lenders**”), as DIP Lenders. Similar to the Cuarzo S&T DIP Loan, as adequate protection, the Owned Portfolio/Ancillary Debtors seek to grant to S&T and Public Credit, in their capacities as DIP Lenders, a superpriority administrative expense

claim for the DIP Obligations and liens on, and security interests in, the DIP Collateral (both as defined in, and with the priority described in the Owned Facilities DIP/Cash Collateral Motion). As described in the Owned Facilities DIP/Cash Collateral Motion, the liens, claims and adequate protection proposed in favor of the DIP Lenders shall only apply to the HUD Debtors upon entry of the proposed Final Order including such relief. The advance to be made by S&T under the Owned DIP Loan will be supported by a certain Pledge Agreement between S&T and VILP pursuant to which VILP has pledged to S&T certain deposit accounts.

98. In addition, by both DIP Motions, subject to the terms and conditions described in each motion, the Debtors seek authority to use cash collateral in accordance with proposed budgets, and to provide adequate protection to their Prepetition Secured Parties (as defined in each Motion) in exchange for such use, among other relief.

99. The Debtors have closely scrutinized the financing terms offered by the DIP Lenders, including the economic terms, the impact on the Debtors' businesses, any restrictions on the use of proceeds and the collateral and security requested, and believe that the terms sought to be approved by the DIP Motions are necessary and appropriate. Additionally, because the DIP Lenders are both pre-petition secured lenders of the Debtors, both are familiar with the Debtors, their businesses and their capital structure. This familiarity has enabled such parties to act more quickly and limit diligence risk, both of which are crucial in light the Debtors' critical need for liquidity.

100. The requested financing and use of cash collateral is also necessary. As noted above, the Debtors require immediate access to liquidity to ensure that they are able to continue operating their businesses during these chapter 11 cases, preserve the value of their estates for the benefit of all parties in interest, and administer a value-maximizing chapter 11 process that avoids

disruption to resident care and safety. All or substantially all of the Debtors' cash is cash collateral, and, without prompt access to such cash collateral, the Debtors would be unable to satisfy employee compensation obligations, satisfy trade payables incurred in the ordinary course of business, preserve and maximize the value of their estates, and fund the administration of these chapter 11 cases. Put simply, without access to cash collateral and the funds to be advanced via the proposed DIP Loans, the Debtors will not have sufficient funds to continue the operation of their businesses while also administering these chapter 11 cases, causing immediate and irreparable harm to the Debtors' estates and operations.

101. I believe that the filing of these chapter 11 cases and the incurrence of indebtedness under the DIP Loans offers the best available option for the Debtors, as they provide the necessary liquidity and forum to for the Debtors to transition their facilities to new operators in an orderly fashion, with minimal disruption to residents. I also believe that the terms of the DIP Loans and the terms governing the Debtors' use of cash collateral were heavily negotiated in good faith, and at arm's length, and that the terms upon which the parties ultimately agreed are the most favorable terms the Debtors reasonably could have achieved under the circumstances. For these reasons, I submit that the relief sought in the DIP Motions is in the best interests of the Debtors' estates and should be approved.

G. Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Payment of Certain Prepetition Taxes and Fees, and (II) Granting Related Relief

102. By the *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Payment of Certain Prepetition Taxes and Fees, and (II) Granting Related Relief* (the "**Tax Motion**"), the Debtors seek the entry of interim and final orders (i) authorizing, but not directing, the Debtors to remit and pay certain prepetition taxes and fees that will become payable during the pendency of these chapter 11 cases in the ordinary course of business, in an aggregate amount not

to exceed \$75,000 on an interim basis and \$150,000 on a final basis, and (ii) granting related relief.

103. In the ordinary course of their businesses, the Debtors collect and incur sales, use, property, and business and occupation tax obligations, as well as other business and regulatory fees (collectively, the “**Taxes and Fees**”). The Debtors remit the Taxes and Fees to various federal, state and local governments, including taxing and licensing authorities (collectively, the “**Taxing Authorities**”). Taxes and Fees are remitted and paid by the Debtors through checks and electronic funds transfers that are processed through their banks and other financial institutions.

104. Sales and Use Taxes. The Debtors incur, collect, and remit *de minimis* sales taxes to the Taxing Authorities in connection with the operation of their businesses. Additionally, the Debtors purchase a variety of equipment, materials and supplies necessary for the operation of their businesses from vendors who may not operate in the state where the property is to be delivered and, therefore, do not charge the Debtors sales tax in connection with such purchases. In these cases, applicable law typically requires the Debtors to subsequently pay use taxes on such purchases to the applicable Taxing Authorities. The Debtors generally remit sales and use taxes on a quarterly and biannual basis, depending on the jurisdiction.

105. As of the Petition Date, the Debtors estimate that they will owe approximately \$10,000 to the relevant Taxing Authorities on account of prepetition sales and use taxes. The Debtors do not believe that any of these amounts will become due and owing during the Interim Period. Nevertheless, by the Tax Motion, the Debtors request authority, but not direction, to pay such taxes as they become due and payable during the pendency of these cases.

106. Property Taxes. State and local laws in the jurisdictions in which the Debtors operate generally grant Taxing Authorities the power to levy property taxes against the Debtors’ real and personal property. The Debtors in the Cuarzo Portfolio do not own any real property;

rather, the Operating Cuarzo Entities lease property for each of their nursing care facilities from various landlords. In the ordinary course of business, and in accordance with the terms of the Operating Cuarzo Entities' lease, the Operating Cuarzo Entities' landlords typically forward property tax invoices for leased property to the Operating Cuarzo Entities and the Operating Cuarzo Entities pay such taxes directly to the applicable Taxing Authority. Historically, the Operating Cuarzo Entities paid their property taxes in the ordinary course of business on a biannual or annual basis, depending on the jurisdiction.

107. Because the Operating Cuarzo Entities did not have sufficient funds available to pay the most recent prepetition real estate tax obligations as they came due in the ordinary course, the Operating Cuarzo Entities' landlords paid the real estate tax obligations (approximately \$775,000) to the applicable taxing authorities. Such landlords have in turn reflected such amounts as a cost owed to the landlords by the Operating Cuarzo Entities. The Debtors do not, by the Tax Motion, seek authority to pay the Operating Cuarzo Entities' property tax obligations.

108. The Debtors in the Owned Facilities Portfolio owe approximately \$245,000 in outstanding property tax obligations, of which \$230,000 are overdue since the Owned PropCos did not have the funding available to pay property tax obligations in the ordinary course of business prepetition. For the avoidance of doubt, the Debtors are not, by the Tax Motion, seeking authority to remit any "catch-up" payments for the overdue property tax obligations. The Debtors estimate that \$15,000 in current outstanding property tax obligations will become due and owing during the Interim Period. Accordingly, by the Tax Motion, the Debtors request authority, but not direction, to pay such Owned PropCos' property tax obligations as they become due and payable in the ordinary course of business.

109. Business and Occupation Taxes. The State of West Virginia imposes business and

occupation taxes on companies operating a business within the state based on the company's gross receipts. These taxes are remitted on a quarterly basis. As of the Petition Date, the Debtors estimate that they owe approximately \$30,000 to the relevant Taxing Authority on account of prepetition business and occupation taxes, all of which will become and owing during the Interim Period. As such, by the Tax Motion, the Debtors request authority, but not direction, to pay the business and occupation tax obligations as they become due and payable during the pendency of these Chapter 11 Cases.

110. Fees and Licenses. In the ordinary course of business, the Debtors are obligated to pay a variety of regulatory and licensing fees, including an annual license fee for each nursing facility to maintain the ongoing operations of the Debtors' business (together, the "**Fees**"). To the best of the Debtors' knowledge, no Fees are outstanding as of the Petition Date. However, out of an abundance of caution, by the Tax Motion, the Debtors request authority to pay any Fees that may be owed as of the Petition Date in the ordinary course of business, and to continue to pay such Fees as they come due in the ordinary course of the Debtors' business.

111. I believe that any failure to pay the Taxes and Fees may materially disrupt the Debtors' business operations in several ways: (i) the Taxing Authorities may initiate audits of the Debtors, which would unnecessarily divert the Debtors' attention from the restructuring process; (ii) the Taxing Authorities may attempt to suspend the Debtors' operations, file liens, seek to lift the automatic stay, and pursue other remedies that will harm the estates; and (iii) certain of the Debtors' directors and officers could be subject to claims of personal liability, which would likely distract those key employees from their duties related to the Debtors' restructuring. Moreover, unpaid Taxes and Fees may result in penalties, the accrual of interest, or both. For the foregoing reasons, I believe that it is in the best interests of the Debtors' estates that the Debtors be authorized

to pay the Taxes and Fees.

H. Insurance Motion

112. By the *Debtors' Motion for Entry of Interim and Final Orders Authorizing the Debtors to (I) Continue Insurance Policies and Agreements Relating Thereto, (II) Honor Certain Prepetition Obligations in Respect Thereof, (III) Renew, Revise, Extend, Supplement or Enter into New Insurance Coverage and Insurance Premium Financing as Needed, and (IV) Continue to Honor Insurance Premium Financing Obligations* (the “**Insurance Motion**”), the Debtors seek entry of interim and final orders authorizing the Debtors to (i) continue insurance coverage entered into prepetition and satisfy prepetition obligations related thereto, (ii) renew, amend, supplement, extend, or purchase Insurance Policies (as defined below), and (iii) honor their Premium Financing Obligations (as defined below).

113. In connection with the operation of the Debtors' businesses and the management of their properties, the Debtors maintain a comprehensive insurance program that provides coverage related to, among other things, general liability, cyber liability, employment practices liability, professional liability, employee benefit liability, errors and omissions liability, directors' and officers' liability, property liability and commercial automobile liability (collectively, the “**Insurance Policies**”). For the Insurance Policies' current policy period, the total annual premiums under the Insurance Policies are approximately \$2.4 million. The Insurance Policies, which the Debtors have obtained through third-party insurance carriers (collectively, the “**Insurance Carriers**”), are listed as Exhibit C to the Insurance Motion.

114. In connection with the Insurance Policies, the Debtors make payments to Insurance Carriers on account of certain Insurance Obligations, including premiums, deductibles and administration fees. The Debtors believe that, as of the Petition Date, there are no amounts

outstanding on account of Insurance Obligations. In any event, and in an abundance of caution, by the Insurance Motion, the Debtors seek the authority to honor any prepetition amounts on account of Insurance Obligations (on an interim basis, up to \$50,000).

115. In addition to the foregoing, the Debtors also maintain coverage and incur obligations in connection with Pennsylvania's Medical Care Availability and Reduction of Error Fund ("**MCare**"), created by Act 13 of 2002 as the successor to the Medical Professional Liability Catastrophe Loss Fund. As of the Petition Date, the Debtors do not believe they owe any amounts on account of MCare obligations but, by the Insurance Motion, and in an abundance of caution, seek authority to pay any prepetition Mcare obligations for facilities currently operated by the Debtors that may be outstanding, and to continue to make payments on account of Mcare obligations in the ordinary course of business on a postpetition basis.

116. The annual premiums due under the Debtors' general and professional liability policies are financed through Pathward, National Association (the "**PFA Lender**"), pursuant to the Premium Finance Agreement (the "**PFA**") attached to the Insurance Motion as Exhibit D. In accordance with the PFA, the PFA Lender loaned the Debtors funds to pay the premiums for the general and professional liability policies in exchange for the Debtors paying the PFA Lender an upfront payment of \$752,353.08, and monthly payments of \$78,074.34, starting on February 1, 2024, through November 1, 2024 (collectively, the "**Premium Finance Obligations**"). The Debtors are current on amounts due under the PFA as of the Petition Date, and the next monthly payment is due on or about August 1, 2024. The Debtors' obligations under the PFA are secured by the general and professional liability policies, all sums due under the PFA, and all unearned or returned premiums and certain other sums that may become payable under the general and professional liability policies..

117. Furthermore, the Debtors employ Beecher Carlson Insurance Services, LLC, and Decus Insurance Brokers Limited (together, the “**Insurance Brokers**”) to assist with the procurement and negotiation of their Insurance Programs. The Debtors pay brokerage fees to their Insurance Brokers upon the signing or renewal of certain policies (the “**Brokerage Fees**”). The Brokerage Fees are bundled into premium costs for each insurance policy the Debtors maintain, and generally are not paid or identified separately. The Debtors believe they are current on all Brokerage Fees as of the Petition Date. However, out of an abundance of caution, by the Insurance Motion, the Debtors request the authority to pay, in their discretion, any Brokerage Fees or other amounts owing to the Insurance Brokers that may subsequently be determined to be owed for the period prior to the Petition Date, and to continue making payments to the Insurance Brokers on account of the obligations related to the Insurance Policies in the ordinary course.

118. The Debtors further intend to renew or replace their Insurance Policies in the ordinary course. The Debtors’ cyber, directors’ and officers’ liability, and employment practices liability policies expire on October 1, 2024, the Debtors’ general and professional liability policy, which includes employee benefits liability property liability and commercial automobile liability, expires on January 1, 2025, and the Debtors’ errors and omissions liability policy expires on May 31, 2025. As such, the Debtors will need to renew or replace these policies at the appropriate time.

119. The ability to maintain the Insurance Policies, and to enter into new insurance policies, as needed in the ordinary course of business, is essential to the preservation of the value of the Debtors’ businesses, operations and assets. Much of the coverage provided by the Insurance Policies is required by regulations, laws and contracts that govern the Debtors’ commercial activities. Failure to pay premiums for the Insurance Policies when due may harm the Debtors’ estates in several ways, including the loss of insurance coverage and subsequent need to obtain

replacement insurance on an emergency basis, likely at a higher price. Likewise, the Debtors' failure to pay Premium Finance Obligations could result in the termination of the Insurance Policies that are financed through the PFA, and the failure to honor Brokerages Fees could result in a loss of the Insurance Brokers' assistance in maintaining the Debtors' beneficial business relationships with their insurance carriers, both of which would cause significant disruption and distraction to the Debtors' estates. For these reasons, I believe the relief requested in the Insurance Motion is necessary and in the best interests of the Debtors' estates.

I. Wage and Employee Benefits Motion

120. By the *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Pay Prepetition Employee Wages, Benefits, and Other Compensation Obligations and (B) Maintain the Compensation and Benefits Programs, and (II) Granting Related Relief* (the "**Wages Motion**"), the Debtors seek the entry of an order (i) authorizing, but not directing, the Debtors to (a) pay and honor certain prepetition wages, benefits and other compensation obligations in an aggregate amount not to exceed \$5,800,000 on an interim basis and \$6,100,000 on a final basis, and (b) maintain their employee programs, benefits and policies in the ordinary course of business, and (ii) granting related relief.

121. As of the Petition Date, the Debtors employ approximately 2,000 people (collectively, the "**Employees**"). The Employees include 1,395 Employees who are employed on a full-time basis, 159 Employees who are employed on a part-time basis, and 443 PRN (i.e., *pro re nata* or as needed) Employees. Approximately 1,000 Employees are unionized, including certified nursing assistants, hospitality aides, activity aides, cooks, dietary aides, laundry aides and housekeepers.

122. The Employees perform a wide variety of functions critical to providing service

and support to the Debtors' residents and the administration of these Chapter 11 Cases. The employees' skills, knowledge, and understanding of the Debtors' operations are essential to preserving operational safety, stability, and efficiency. In many instances, the Debtors' employees include highly-trained personnel with specific technical skills who are not easily replaced. Without the continued, uninterrupted services of their employees, the Debtors' value-maximizing administration of these Chapter 11 Cases would be materially impaired.

123. In addition to the Employees' compensation, the Debtors also incur other obligations related to the Employees, such as vacation, federal and state withholding taxes and other withheld amounts, health and welfare benefits, workers' compensation and programs that the Debtors historically have provided in the ordinary course of business. The compensation practices, programs, benefits and policies provided by the Debtors to their Employees, as more fully described below, are referred to herein as the "**Employee Programs**" and the Debtors' obligations thereunder are referred to herein as the "**Employee Obligations.**"

124. Wage Obligations. In the ordinary course of business, the Debtors incur obligations to their Employees for wages, overtime, and similar obligations (collectively, "**Wage Obligations**"). On average, the Debtors pay approximately \$7,842,000¹² in gross wages and salary per month on account of their Employee base. The Debtors pay their Employees on a bi-weekly basis, with Wage Obligations accruing on either a salaried or hourly basis. Because the Employees are paid in arrears, certain Employees will be owed accrued but unpaid wages as of the Petition Date. The majority of the Debtors' payroll is made by direct deposit through electronic transfer of funds to the Employees' bank accounts or direct transfer of funds to a pay card through Aline by ADP.

¹² This amount reflects a twelve-month average as of the Petition Date.

125. As of the Petition Date, the Debtors estimate that they owe approximately \$3,100,000 on account of accrued but unpaid Wage Obligations, all of which will become due and payable within the Interim Period. The Debtors do not owe Wage Obligations to any individual in excess of the statutory cap of \$15,150 set forth in sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code. Accordingly, by the Wages Motion, the Debtors request authority to continue to honor the Wage Obligations and to pay any prepetition claims with respect thereto in the ordinary course of business, including by reissuing any uncashed paychecks as necessary.

126. Withholding Obligations. Each pay period, the Debtors deduct certain amounts directly from Employees' pay, including, but not limited to: (i) garnishments, child support, and other similar deductions as applicable; and (ii) other pre- and after-tax deductions payable pursuant to certain employee benefits plans described herein, legally-ordered deductions and other miscellaneous deductions (collectively, the "**Deductions**").

127. Based upon the Employees' salaries and wages, the Debtors also are required by law to withhold amounts related to federal, state and local income taxes, as well as Social Security and Medicare, and to remit such withholdings to the applicable authorities. The Debtors are additionally required to make matching payments from their own funds for Social Security and Medicare and to pay, based on a percentage of gross payroll, state and federal unemployment insurance, and employment training taxes (collectively, the "**Payroll Tax Obligations**", and together with the Deductions, the "**Withholding Obligations**"). Each pay cycle, the Debtors withhold applicable Payroll Tax Obligations from Employees' wages and remit such amounts to the applicable authorities.

128. The Debtors estimate that, as of the Petition Date, they have withheld approximately \$1,100,000 in prepetition Withholding Obligations that must be paid or remitted

within the Interim Period. By the Wages Motion, the Debtors seek authority, but not direction, to pay and remit the Withholding Obligations to the appropriate authorities consistent with the Debtors' prepetition practices.

129. Union Dues. In the ordinary course of business, the Debtors withhold from the paychecks of unionized Employees amounts for the payment of dues to the Unions of which those Employees are members (the "**Union Dues**"). The Debtors then remit the Union Dues to the respective Unions. As of the Petition Date, the Debtors estimate that they have withheld approximately \$30,000 in Union Dues that must be paid or remitted within the Interim Period. By the Wages Motion, the Debtors seek authority, but not direction, to pay and remit the Union Dues to the appropriate Unions consistent with the Debtors' prepetition practices.

130. Accrued PTO. In the ordinary course of business, the Debtors provide eligible Employees with paid time off for vacation, personal days and sick leave (collectively, "**Accrued PTO**"). Vacation days are available to both full-time and part-time Employees working over 1,040 hours per year and are accrued on a per pay basis. For non-unionized Employees, the maximum accrual balance depends on the Employee's years of service with the Debtors, as detailed in the below chart:

Years of Service	Multiplier	Maximum Vacation Days
0–2	0.0269	7 days
2–5	0.0385	10 days
5+	0.0577	15 days

Although Employees begin accruing vacation on the first day of employment, they are not permitted to use earned vacation until completion of a 90-day introductory period. On December 31 of each year, Employees may rollover up to 80 hours of earned and unused vacation time. Any

time above 80 hours in earned and unused vacation time for the year is forfeited by the Employee. Unused pro-rated vacation days are paid to an Employee upon resignation, subject to the Employee providing proper notice of resignation in accordance with the Debtors' internal policies. Vacation days are not paid if an Employee is terminated.

131. Full-time, non-unionized Employees are also awarded personal days and paid sick leave. Personal days are based on years of service: Employees with 0–2 years of service are awarded one (1) personal day per year and Employees with over 2 years of service are awarded two (2) personal days per year. Under the Debtors' sick leave policy, full-time Employees accrue sick leave at a rate of 1.85 hours per pay period, up to a maximum accrual balance of 480 hours (60 days). Eligible Employees begin to accrue sick leave on the first day of employment but may not use earned sick leave until completion of a 90-day introductory period. Personal days and sick leave are not paid out to Employees upon resignation or termination.

132. For full-time and part-time unionized Employees, the maximum vacation days awarded depends on the Employee's years of service and the terms of the collective bargaining agreement (the "CBA") with the applicable Union. Unionized Employees may also receive personal days or paid sick leave depending on the terms of the CBA.

133. As of the Petition Date, the Debtors estimate that, in total, the value of all accrued and unpaid prepetition Accrued PTO is approximately \$1,365,000. The Debtors believe that continuing to honor Accrued PTO in accordance with prior practice is essential to maintaining Employee morale during these chapter 11 cases. Further, the policies are broad-based programs upon which all Employees have come to depend, and the continuation of such programs will not create any material cash flow obligations beyond the Debtors' normal payroll obligations. Accordingly, the Debtors request authority, by the Wages Motion, to honor all prepetition Accrued

PTO if and when it comes due in the ordinary course, and continue to honor all postpetition Accrued PTO in the ordinary course of business.

134. Reimbursable Expenses and Credit Card Obligations. Prior to the Petition Date and in the ordinary course of business, the Debtors reimbursed certain Employees for approved expenses incurred on behalf of the Debtors in the scope of their employment (“**Reimbursable Expenses**”). Reimbursable Expenses include travel, lodging, transportation, mileage, meals and other miscellaneous expenses. As of the Petition Date, the Debtors estimate that they currently owe approximately \$55,000 on account of accrued and unpaid Reimbursable Expenses to Employees.

135. The Debtors use the services of Certify, a third-party reimbursement processor, to handle administrative functions related to the Reimbursable Expenses. The Debtors pay Certify approximately \$4,600 per month in fees for its services (the “**Reimbursement Processing Fees**”). As of the Petition Date, the Debtors estimate that they currently owe approximately \$4,600 on account of Reimbursement Processing Fees, all of which is expected to come due during the Interim Period.

136. In addition, the Debtors maintain credit cards issued by S&T Bank (the “**Corporate Credit Cards**”) to be used in connection with Employees’ day-to-day job functions. These Corporate Credit Cards are held by facility administrators and select employees in leadership positions. Employees may use the Corporate Credit Cards to pay for job-related expenses. All Corporate Credit Cards issued by the Debtors to their Employees have detailed restrictions on permissible expenditures, and Employees are responsible for any non-reimbursable amounts charged to the Corporate Credit Cards. The obligations arising under the Corporate Credit Cards are paid directly by the Debtors. The Debtors estimate that they incur obligations under the

Corporate Credit Cards of approximately \$100,000 per month (the “**Corporate Credit Card Obligations**”). As of the Petition Date, the Debtors estimate that they owe approximately \$100,000 in outstanding Corporate Credit Card Obligations, all of which will become due in the Interim Period.

137. By the Wages Motion, the Debtors seek authority to satisfy all prepetition obligations related to the Reimbursable Expenses, including the Reimbursement Processing Fees, and Corporate Credit Cards, as and when they arise, and to reimburse Employees and use the Corporate Credit Cards in the ordinary course of business.

138. Benefits Programs. In the ordinary course, the Debtors maintain various benefits plans, policies, and programs (the “**Benefits Programs**”, and all amounts required under or relating thereto, the “**Benefits Obligations**”). The Benefits Programs generally fall into the following categories: (i) medical, prescription, dental, and vision benefits; (ii) 401(k) contributions; (iii) Union pension plan contributions; (iv) workers’ compensation benefits; and (v) certain other miscellaneous benefits programs, such as life insurance, educational assistance programs, an employee referral program, and an employee advance program.

139. By the Wages Motion, the Debtors request authority to maintain the Benefits Programs in the ordinary course of business and to pay all Benefits Obligations, whether related to the period before or after the Petition Date. As of the Petition Date, the Debtors estimate that the amount of accrued but unpaid Benefits Obligations, including administrative fees, is approximately \$650,000, all of which will become due and payable during the Interim Period, as detailed below:

- i. Health Insurance Programs: The Debtors maintain, and eligible Employees may participate in, a number of health insurance programs, including (a) medical plans through Highmark Blue Cross Blue Shield or UPMC Health Plan, (b) prescription plans through CVS Caremark or True Rx, (c) dental plans through

Delta Dental or the SEIU Health & Welfare Fund of Pennsylvania (the “**SEIU H&W Fund**”) (for unionized Employees), (d) vision plans through Davis Vision or the SEIU H&W Fund, and (e) a flexible spending account (collectively, the “**Health Insurance Programs**”). As of the Petition Date, the Debtors estimate that they will owe approximately \$85,000 on account of the Health Insurance Programs, all of which will become due and payable within the Interim Period.

- ii. Former Health Insurance Program: Historically, the Debtors maintained a self-funded health insurance plan (the “**Self-Funded Plan**”), under which the Debtors paid employee claims as incurred on a weekly basis. On April 30, 2024, the Debtors ceased the Self-Funded Plan and commenced the Health Insurance Programs (as described above). As of the Petition Date, the Debtors estimate that they owe approximately \$200,000 for trailing incurred but not reported claims under the Self-Funded Plan, all of which will become due and payable within the Interim Period.
- iii. 401(k) Plan: The Debtors maintain a retirement savings plan for the benefit of their Employees that satisfies the requirements of section 401(k) of the Internal Revenue Code (the “**401(k) Plan**”). The 401(k) Plan is administered by Fidelity Investments, and historically, the Debtors matched, on a discretionary basis, up to a percentage of each Employees’ annual income that is contributed to the 401(k) Plan, based on each Employees’ years of service (the “**401(k) Matching Contributions**”). The Debtors have not made 401(k) Matching Contributions for several years. Accordingly, as of the Petition Date, the Debtors do not owe any outstanding 401(k) Matching Contributions.
- iv. Union Pension Plans: The Debtors have obligations with some Unions to contribute on a monthly basis to a union pension plan. The specific terms for the contribution, including the calculation, are set forth in the applicable CBA. As of the Petition Date, the Debtors estimate that they owe approximately \$10,000 for the monthly contributions to the union pension plans, all of which will become due and payable within the Interim Period.
- v. Workers’ Compensation: The Debtors maintain workers’ compensation insurance as required by applicable state laws (the “**Workers’ Compensation Program**”) through policies with Colony Specialty Insurance Company. The Debtors pay an annual premium in connection with the Workers’ Compensation Program of approximately \$3,050,000. The Debtors pay this premium pursuant to a monthly payment plan. As of the Petition Date, the Debtors estimate that they owe approximately \$310,000 for the monthly premium payment in connection with the Workers’ Compensation Program, all of which will become due and payable within the Interim Period.
- vi. Life Insurance Coverage: The Debtors provide life insurance to eligible Employees through Voya Financial (“**Life Insurance Coverage**”), as well as coverage for accidents, critical illness, short-term disability, hospital indemnity

and whole and term life insurance offered on a voluntary, Employee-paid basis, administered by Aflac. The average annual cost of the Life Insurance Coverage is approximately \$275,000, excluding voluntary products. As of the Petition Date, the Debtors estimate that they owe approximately \$23,000 in connection with Life Insurance Coverage, all of which will become due and payable within the Interim Period.

- vii. Bonus Programs: The Debtors offer various incentive awards to Employees in leadership positions at each facility, including Directors of Nursing, Nursing Home Administrators, and Maintenance Directors, for meeting or exceeding specific performance targets. Each facility may also be eligible for a bonus based on certain performance criteria. As of the Petition Date, the Debtors do not believe they have any outstanding obligations under the bonus programs, however, the Debtors seek to honor such programs in the ordinary course going forward.
- viii. Miscellaneous Benefits: The Debtors offer other miscellaneous benefits to certain eligible Employees. These miscellaneous benefits include an employee advance program, education assistance programs, and an employee referral program. The obligations owed to Employees with respect to these miscellaneous benefits are *de minimis*, and the Debtors request authority to continue to honor these miscellaneous benefits in the ordinary course, subject to the limitations in the Interim Order.

140. Staffing Agencies. In addition to the Employees, the Debtors use various outside staffing agencies (the “**Staffing Agencies**”), who provide temporary staff, including certified nursing assistants, licensed practical nurses, registered nurses, and interim administrators and directors of nursing, as needed. The Staffing Agencies are vital to the Debtors’ ongoing operations and providing quality care to residents. Without the use of the Staffing Agencies, the Debtors’ facilities would otherwise be understaffed, which may compromise the high quality of care provided to the Debtors’ residents.

141. The estimated monthly payment by the Debtors to the Staffing Agencies is approximately \$900,000. As of the Petition Date, the Debtors owe the Staffing Agencies in the aggregate \$1,000,000 (the “**Staffing Agencies Obligations**”), \$700,000 of which will become due and owing during the Interim Period. By the Wages Motion, the Debtors seek authority, but not direction, to satisfy the prepetition Staffing Agencies Obligations.

142. Independent Contractors. The Debtors also employ approximately 20 medical directors as independent contractors. The medical directors are critical to providing high-quality care to the Debtors' residents at each facility. The estimated monthly payment by the Debtors to the medical directors is approximately \$45,000. As of the Petition Date, the Debtors owe the medical directors in the aggregate \$45,000 (the "**Contractor Obligations**", and together with the Employee Obligations and Staffing Agencies Obligations, the "**Workforce Obligations**"), all of which will become due and owing during the Interim Period. By the Wages Motion, the Debtors seek authority, but not direction, to satisfy the prepetition Contractor Obligations in the ordinary course of business.

143. I believe that the relief requested in the Wages Motion is crucial to ensuring the Debtors have as smooth a transition into bankruptcy as possible. The Debtors' business depends upon their Employees, independent contractors and individuals engaged through the Staffing Agencies. Honoring the Workforce Obligations and Employee Programs is essential to ensure continued reliability and loyalty among the Debtors' workforce. I am also informed and believe that without the relief requested in the Wages Motion, Employees will likely seek alternative employment opportunities. Such a development would deplete the Debtors' workforce, thereby hindering the Debtors' ability to operate their businesses and maximize the value of their estates during this chapter 11 process. The loss of valuable Employees and the resulting need to recruit new personnel (and the costs attendant thereto) would be distracting at this crucial time when the Debtors need to focus on administering a value-maximizing chapter 11 process, and could jeopardize patient safety. Accordingly, based on the foregoing and those additional reasons set forth in the Wages Motion, I believe that the relief requested in such motion is necessary to avoid immediate and irreparable harm and is in the best interests of the Debtors' estates, their creditors,

and all other parties in interest.

J. Cash Management Motion

144. By the *Debtors' Motion for Interim and Final Orders (I) Authorizing Continued Used of Existing Cash Management System, Bank Accounts, and Business Forms and Payment of Related Prepetition Obligations, (II) Authorizing Continuation of Ordinary Course Intercompany Transactions, (III) Extending Time to Comply with the Requirements of 11 U.S.C. § 345(b), and (IV) Granting Related Relief* (the “**Cash Management Motion**”), the Debtors seek the entry of an order (i) authorizing, but not directing, the Debtors to continue to use their prepetition cash management system, including by authorizing the Debtors’ banks to honor certain transfers and charge certain fees; (ii) authorizing the Debtors to continue ordinary course intercompany transactions; (iii) granting administrative priority to postpetition intercompany claims; (iv) extending the Debtors’ time to comply with the requirements of section 345(b) of the Bankruptcy Code; and (v) granting related relief.

145. The Debtors maintain an integrated, centralized cash management system (the “**Cash Management System**”) to collect, transfer, manage and disburse funds generated and used in their operations. The Cash Management System facilitates cash monitoring, forecasting and reporting, and enables the Debtors to administer efficiently their 134 bank accounts (collectively, along with any bank accounts the Debtors may open in the ordinary course of business or that may be inadvertently excluded, the “**Bank Accounts**”). The Bank Accounts are maintained at S&T Bank, CNB Bank and Citibank N.A. (collectively, the “**Banks**”). The Debtors’ accounting department, located at the Debtors’ corporate offices in Brockway, Pennsylvania, maintains daily oversight and control of the Cash Management System and implements controls for collecting, concentrating and disbursing funds from the Bank Accounts. A schedule of the Bank Accounts,

including the last four digits of each Bank Account number and the name of the Debtor that holds the account, is attached to the Cash Management Motion as Exhibit C, and diagrams depicting the funds flow within the Debtors' Cash Management System are attached to the Cash Management Motion as Exhibits D, E and F.

146. The Cash Management System facilitates the following principle cash management functions: (i) cash collection; (ii) disbursements to fund the Debtors' operations; and (iii) intercompany transfers. Generally speaking, each Cuarzo Portfolio Debtor and Owned OpCo Debtor hold two accounts at either S&T Bank or CNB Bank, which consist of an operating account and a general account, and three accounts at Citibank, which consist of a resident account, a care cost account, and a petty cash account. Each HUD Owned OpCo Debtor holds two additional accounts at CNB Bank—a Medicare general account and a payroll account. Debtors Home Office I and Home Office II each hold a concentration account and a general account at S&T Bank, and Debtor Home Office I also maintains an operating account at S&T Bank. Additional bank accounts are described more fully in the Cash Management Motion.

147. As illustrated in the funds flow diagrams attached to the Cash Management Motion, receipts from each Debtor's operations are deposited into the applicable general accounts. The general accounts are then manually swept on a daily basis to the concentration accounts held by Debtors Home Office I and Home Office II. The concentration accounts aggregate and hold the funds from the Debtors (and, in the case of Debtor Home Office I's concentration account, funds from non-debtor affiliates). The concentration accounts, in turn, fund the operating accounts on an as-needed basis. In the ordinary course of business, the operating account and payroll account, as applicable, for each Debtor funds that Debtor's disbursements on account of operating expenses, such as vendor, tax and insurance payments, and payroll obligations.

148. By the Cash Management Motion, the Debtors request that the Court authorize the Debtors to maintain their Cash Management System, including the continued use of the Bank Accounts, and authorize the Banks to maintain, service, and administer the Bank Accounts without interruption and in the ordinary course of business. For the avoidance of doubt, the funds in the resident accounts, care cost accounts and petty cash accounts (collectively, the “**Resident Trust Accounts**”) are not property of the Debtors’ estates, but rather are property of the Debtors’ residents. Nevertheless, by the Cash Management Motion, the Debtors request that the Court authorize the applicable Banks to continue to maintain, service, and administer the applicable Resident Trust Accounts without interruption in the ordinary course of business.

149. Intercompany Transactions. In accordance with Local Rule 1002-7(a), the Debtors note that, under the Cash Management System, in the ordinary course of business, there are some transfers between Debtors and to certain non-debtor affiliates (the “**Intercompany Transactions**”). The Intercompany Transactions with non-debtor affiliates consist of transactions whereby (i) the Debtors pay certain non-debtor affiliates, primarily non-debtors Guardian Healthcare Connect, LLC d/b/a pac-IQ and Guardian Staffing Agency, LLC, for vital services provided to the nursing facilities, including access to referral management software and staffing services, which payments are approximately \$350,000 per month, and (ii) non-debtor affiliates pay management fees and expense reimbursements to Debtor Home Office I. The Debtors maintain records of the Intercompany Transactions and thus can ascertain, trace and account for their Intercompany Transactions.

150. If the Intercompany Transactions were discontinued, then the Cash Management System and related administrative controls would be disrupted, to the detriment of the Debtors and their stakeholders. Accordingly, by the Cash Management Motion, the Debtors seek authority to

continue these Intercompany Transactions in the ordinary course of business, including according all postpetition, undisputed, ordinary course intercompany transactions administrative expense priority and honoring such obligations in the ordinary course of business. The Debtors anticipate that postpetition transfers from their bank accounts to the bank accounts of non-debtor affiliates will not exceed \$500,000 during the Interim Period. For the avoidance of doubt, the Debtors do not seek authority to pay any *prepetition* intercompany amounts due to non-debtor affiliates pursuant to the Cash Management Motion.

151. Service Charges. In the ordinary course of business, the Banks charge, and the Debtors pay, honor or allow deduction from the appropriate account, certain service charges, fees and other costs and expenses associated with maintaining the accounts in accordance with the applicable agreements or schedules of fees governing the Bank Accounts (collectively, the “**Service Charges**”). The Debtors estimate that there is approximately \$20,000 of accrued but unpaid Service Charges outstanding as of the Petition Date, all of which will become due and owing during the Interim Period. Accordingly, by the Cash Management Motion, the Debtors request authority, but not direction, to honor and pay prepetition Services Charges in an amount not to exceed \$20,000.

152. Business Forms. As part of the Cash Management System, the Debtors use various business forms, such as checks, invoices, letterhead, and other business and marketing materials in the ordinary course of their business (the “**Business Forms**”). To minimize expenses and disruption, the Debtors seek authority through the Cash Management Motion to continue to use all Business Forms in substantially the form used immediately before the Petition Date, without reference to the Debtors’ status as debtors in possession. Requiring the Debtors to change existing Business Forms would unnecessarily distract the Debtors from their restructuring efforts and

impose needless expenses on the estates. The Debtors intend to communicate with their various vendors and counterparties to notify them of the commencement of these Chapter 11 Cases, which the Debtors believe will provide adequate notice of the Debtors' status as debtors in possession. Therefore, the Debtors seek a waiver of Local Rule 2015-1(c)(1); provided that, to the extent the Debtors exhaust their existing supply of checks during these cases and require new checks, the Debtors will order checks with a notation indicating the designation "debtor in possession" and the applicable case number.

153. I believe that maintaining the Cash Management System is critical to the Debtors' ability to administer these Chapter 11 Cases. If the Debtors are unable to maintain their Cash Management System, then the Debtors' operations will be severely impeded. In particular, any disruptions in the Cash Management System could lead to delays in satisfying the Debtors' obligations to their vendors, suppliers, and employees and meeting the demands of residents. To avoid the potential erosion of value that could ensue from any such disruptions in the Debtors' operations, I believe it is necessary that the Court authorize the Debtors to continue the Cash Management System consistent with their historical practices.

K. Utilities Motion

154. By the *Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing Debtors' Proposed Form of Adequate Assurance of Payment to Utility Companies, (II) Establishing Procedures for Resolving Objections by Utility Companies, and (III) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Service* (the "**Utilities Motion**"), the Debtors seek the entry of an order (i) authorizing Debtors' proposed form of adequate assurance of payment to utility companies, (ii) establishing procedures for resolving objections by utility companies, and (iii) prohibiting utility companies from altering, refusing, or discontinuing service

155. In the ordinary course of business, the Debtors obtain traditional utility services related to the day-to-day operation and/or maintenance of their businesses from approximately sixty-one (61) different utility providers (each a “**Utility Company**” and collectively, the “**Utility Companies**”), for, *inter alia*, water and sewer, trash removal, electricity, gas, telephone and internet services (the “**Utility Services**”). The Utility Companies include the entities set forth on the list attached to the Utilities Motion as Exhibit C (the “**Utility Companies List**”).

156. Uninterrupted Utility Services are essential to the continued operation of the Debtors’ businesses and, consequently, to the success of their Chapter 11 Cases. Should any Utility Company alter, refuse, or discontinue service, even for a brief period, the Debtors’ business operations could be severely disrupted, and such disruption would jeopardize the Debtors’ reorganization efforts and patient safety. Accordingly, the Debtors seek to establish an orderly process for providing adequate assurance to their Utility Companies without hindering the Debtors’ ability to function as a going concern.

157. The Debtors estimate that the cost for the Utility Services during the next month (not including any deposits to be paid) will be approximately \$422,000. The Debtors intend to pay their undisputed postpetition obligations to the Utility Companies on a timely basis and have the ability to do so. The Debtors anticipate that they will have sufficient funds to pay the amounts described in this Motion.

158. I believe that uninterrupted Utility Services are essential to the Debtors’ business operations during the pendency of these chapter 11 cases. Should any Utility Company alter, refuse, or discontinue service, even for a brief period, the Debtors’ business operations could be disrupted, and such disruption could jeopardize the Debtors’ restructuring efforts and patient safety. Therefore, the Debtors seek to establish an orderly process for providing adequate

assurance to their Utility Companies without hindering the Debtors' ability to maintain operations. I am informed and believe that the proposed Adequate Assurance Procedures (as defined in the Utilities Motion) are consistent with procedures that are typically approved in chapter 11 cases in this District. Accordingly, based on the foregoing and those additional reasons set forth in the Utilities Motion, I believe that the relief requested in such motion is necessary to avoid immediate and irreparable harm and is in the best interests of the Debtors' estates, their creditors, and all other parties in interest.

L. Schedules Extension Motion

159. By the *Debtors' Emergency Motion for Entry of an Order Extending the Time within which Debtors Must File their Schedules of Assets and Liabilities and Statements of Financial Affairs* (the "**Schedules Extension Motion**"), the Debtors seek the entry of an Order extending the initial 14-day period by which the Debtors are required to file their schedules of assets and liabilities and statements of financial affairs (collectively, the "**Schedules and Statements**") by 26 days, for a total of 40 days after the Petition Date.

160. Because of the complexity and size of their businesses and the limited time and resources that the Debtors have had to devote to the preparation of Schedules and Statements prior to commencement of these cases, the Debtors require additional time to prepare the Schedules and Statements. Indeed, collecting the information necessary for the Schedules and Statements will require a significant expenditure of time and effort on the part of the Debtors and their professionals, at the same time that such parties are working to address other time sensitive matters in these Chapter 11 Cases. Although the Debtors intend to complete the Schedules and Statements as promptly as possible, the Debtors require time to ensure that the documents are prepared properly and with accuracy. Accordingly, by the Schedules, the Debtors request that the Court

extend the date by which the Schedules and Statements must be filed pursuant to Bankruptcy Rule 1007 by an additional 26 days, for a total of 40 days from the Petition Date.

161. I have reviewed each of the first day motions, including the exhibits thereto. The Debtors believe, and I agree, that the Debtors have satisfied the applicable standards for the relief requested in each of the first day motions and that the Court's grant of the requested relief is in the best interests of the Debtors' estates, their creditors, and all other parties in interest. Accordingly, on behalf of the Debtors, I respectfully submit that the first day motions should be approved

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Dated: July 29, 2024

Respectfully submitted,

/s/ Allen D. Wilen

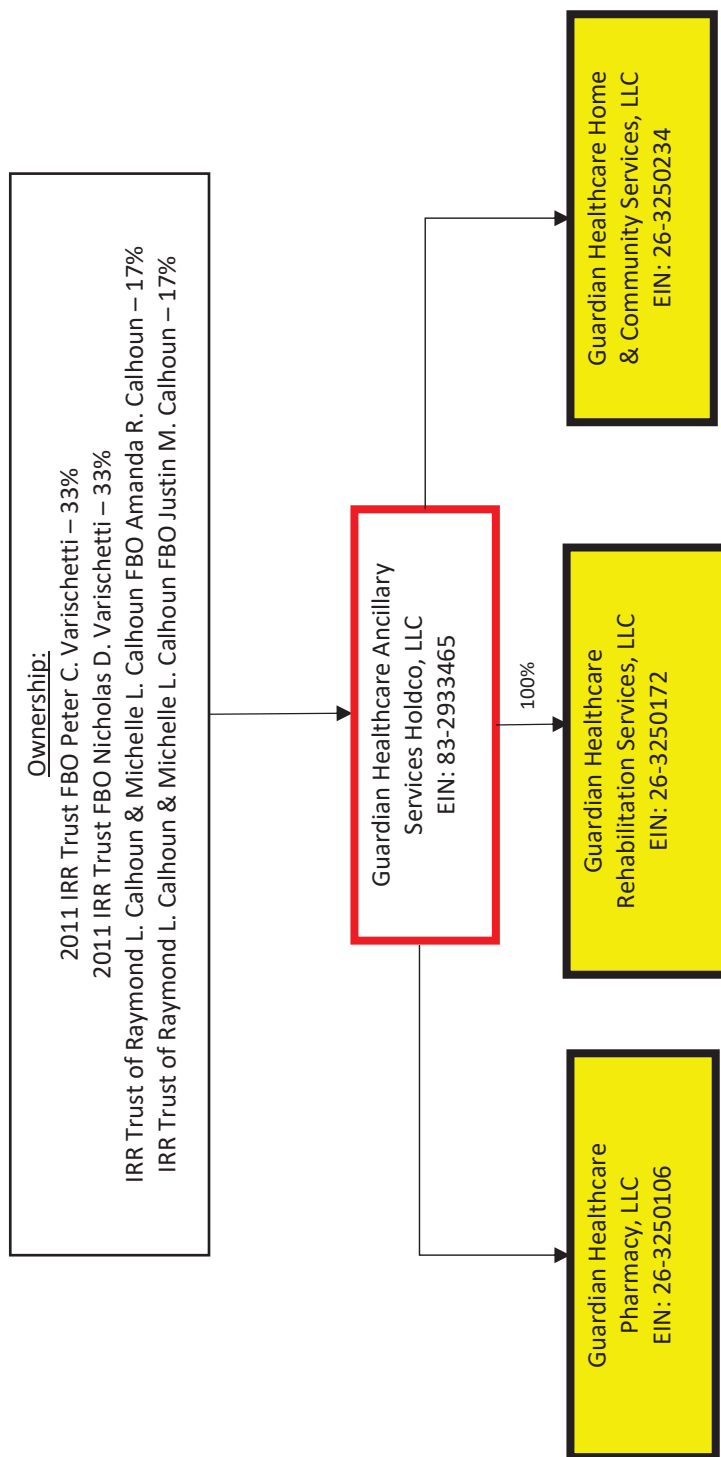
Allen D. Wilen

Chief Restructuring Officer

Exhibit A

Organizational Chart – Ancillary Debtors

Exhibit A – Organization Chart for Ancillary Companies

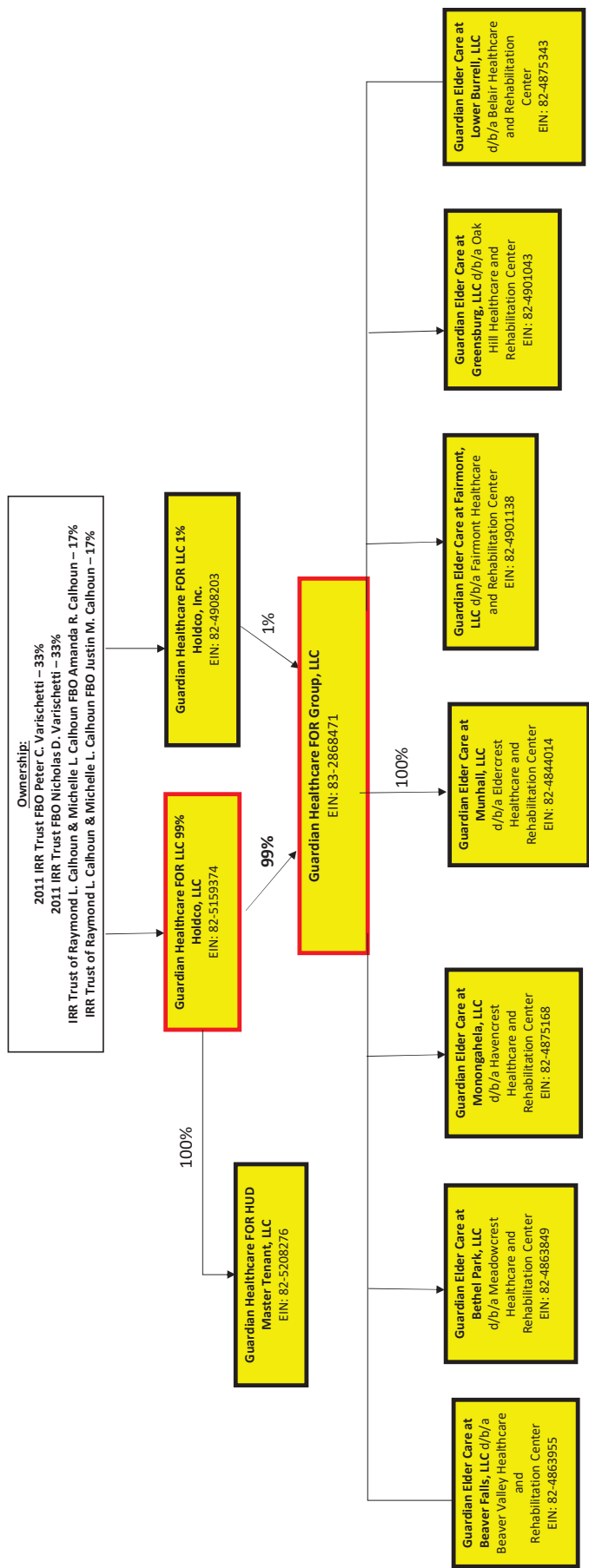


Red Border – 100%/99% Holding/Parent Company
Yellow Shading – Debtor

Exhibit B

Organizational Chart – Owned OpCos

Exhibit B – Organizational Chart for Owned OpCos (except Brockway)

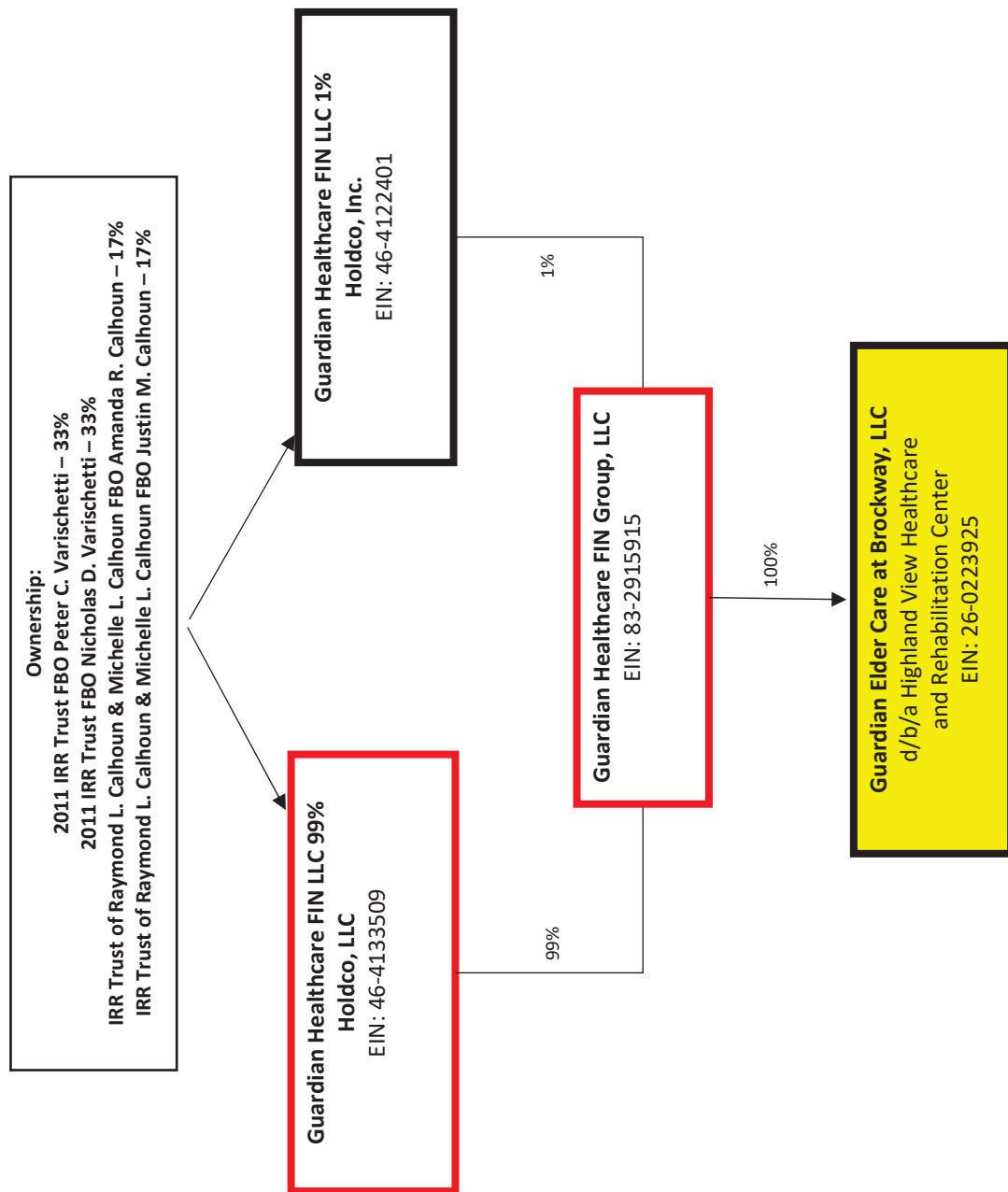


Red Border - 100%/99% Holding/Parent Company
Yellow Shading - Debtor

Exhibit C

Organizational Chart – Brockway

Exhibit C – Organizational Chart for Brockway

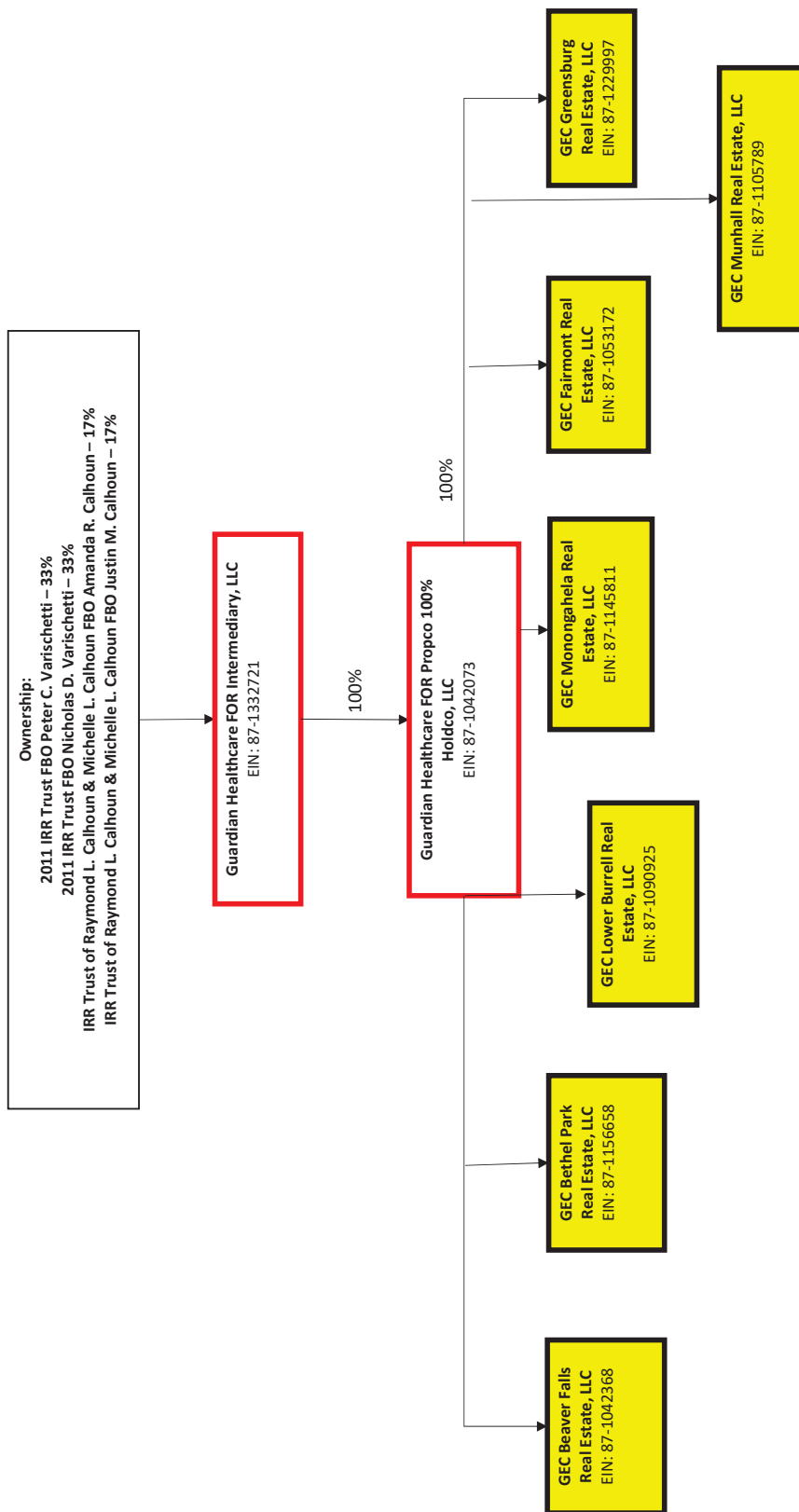


Red Border - 100%/99% Holding/Parent Company
Yellow Shading - Debtor

Exhibit D

Organizational Chart – Owned PropCos

Exhibit D – Organizational Chart for Owned PropCos (except Highland)

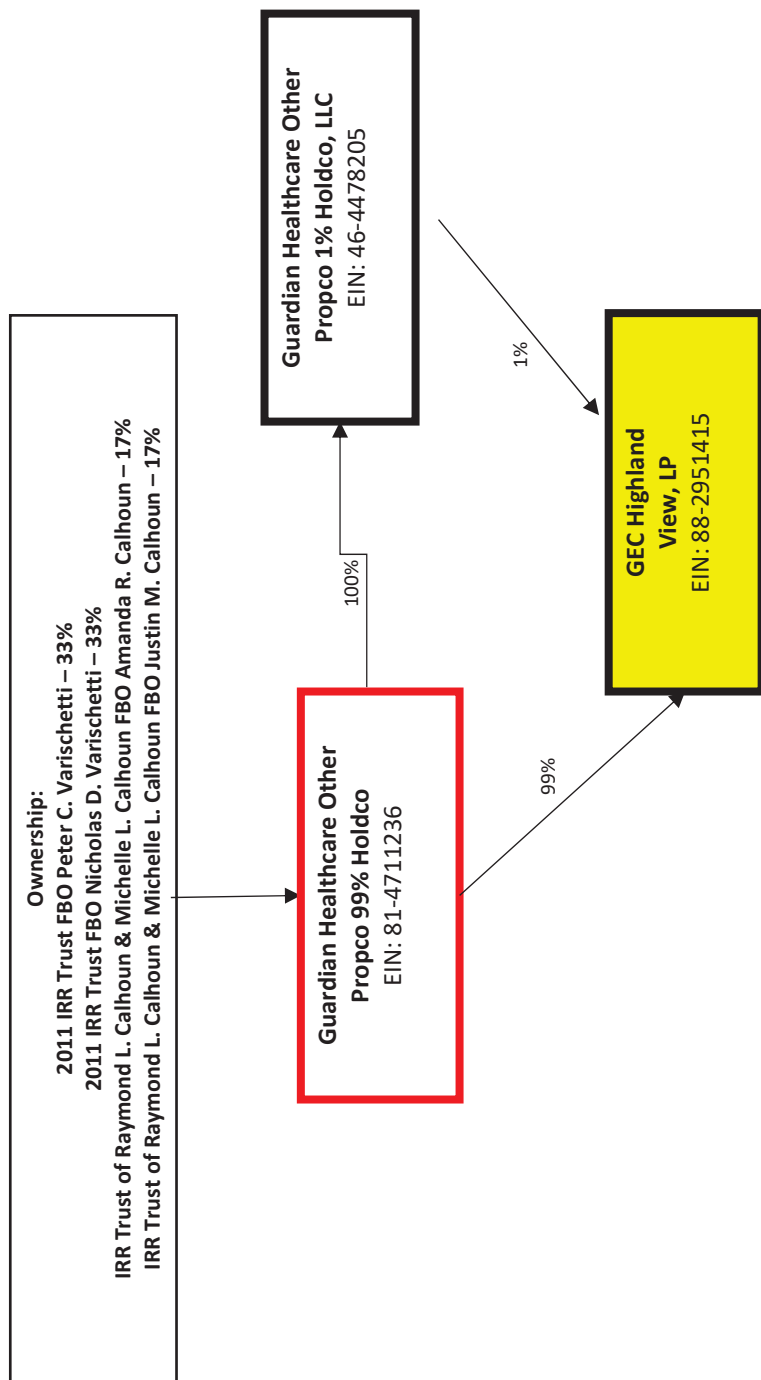


Red Border - 100%/99% Holding/Parent Company
Yellow Shading - Debtor

Exhibit E

Organizational Chart – Highland

Exhibit E- Organizational Chart for Highland

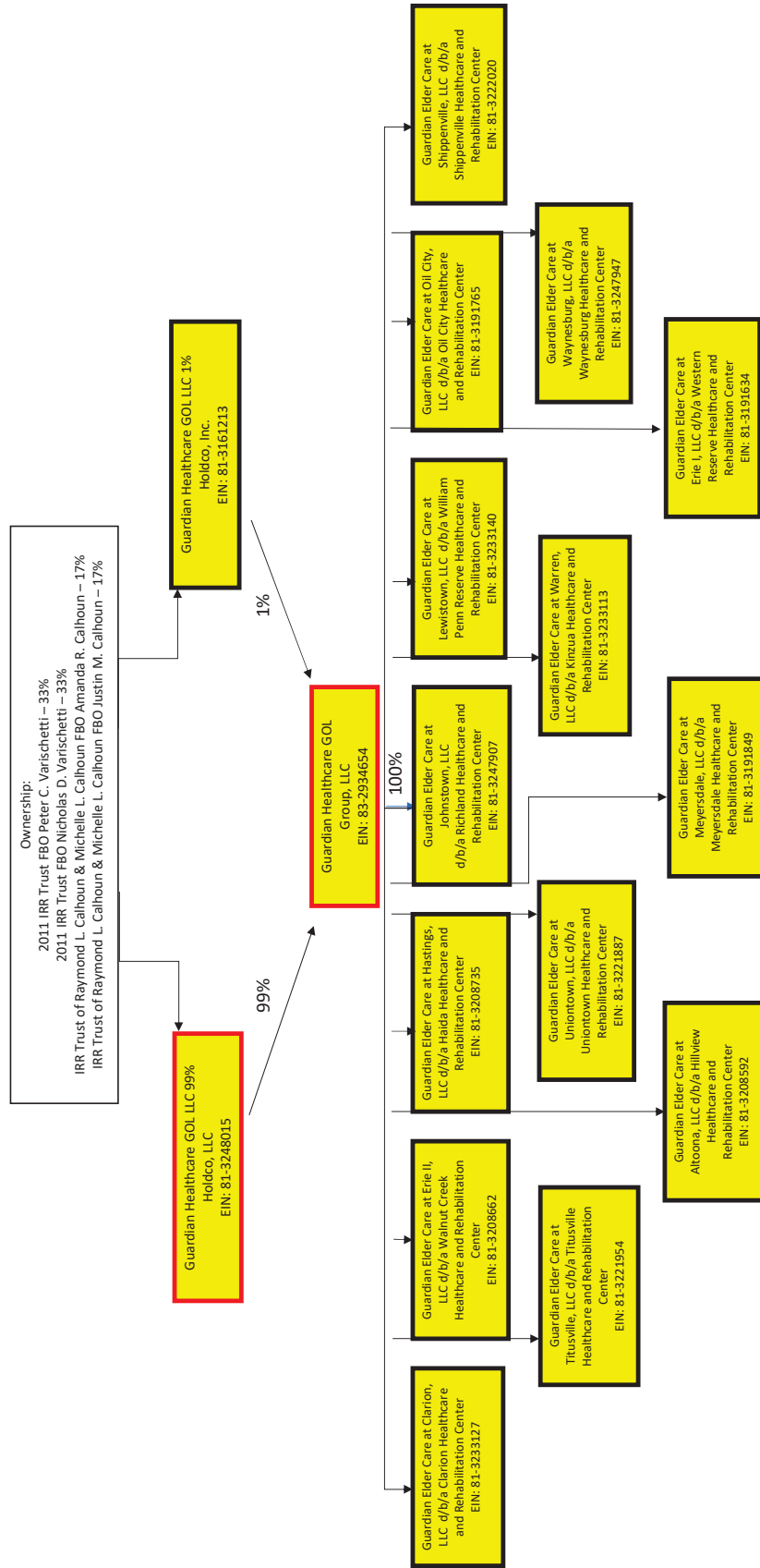


Red Border - 100%/99% Holding/Parent Company
Yellow Shading - Debtor

Exhibit F

Organizational Chart – Guardian HoldCos and Subsidiaries

Exhibit F – Organizational Chart for Guardian GOL HoldCos and their Subsidiaries



Red Border - 100%/99% Holding/Parent Company
Yellow Shading - Debtor

Exhibit G

Organizational Chart – Management Companies

Exhibit G - Organizational Chart for Management Companies



Red Border - 100%/99% Holding/Parent Company
Yellow Shading - Debtor